Appendix 3

Public Comments Received by the Technical Committee on the *Consultation Report – Principles for Point of Sale Disclosure*

List of Respondents

Aberdeen Asset Management (Singapore)

Association Française de la Gestion (AFG)

Association of Banks in Singapore (ABS)

Association of the Luxembourg Fund Industry (ALFI)

Aviva Investors

Brazilian Financial and Capital Markets Association (ANIMBA)

Conseil déontologique des valeurs mobilières, Morocco (CDVM)

European Fund and Asset Management Association (EFAMA)

Financial Services Board, South Africa (FSB)

International Banking Federation (IBFed)

Investment Company Institute (ICI)

Investment Funds Institute of Canada (IFIC)

International Investment Funds Association (IIFA)

Investment Management Association (IMA)

IPAC Financial Planning

JP Morgan Asset Management (Singapore)

Panamanian National Securities Commissions (CONAVAL)

Securitization Forum of Japan

Schroders Investment Management Limited

SingCapital

Society of Remisiers

Vault Solutions Inc.

Dear Sir/Mdm

We are the Singapore office of the Aberdeen Asset Management PLC.

We would like to provide our comments in response to our regulator's (the Monetary Authority of Singapore) call to participate in the feedback consultation on the Principles on Point of Sale Disclosure for collective investment schemes ["CIS"].

We agreed that the 6 proposed principles drawn up in the consultation report set out constructive guiding principles for disclosure of 'key' information in regards to CIS prior to the point of sale. We wish to comment that the suggestion on a summary of tax implications on premiums and benefits as additional information in product disclosure under Principle 1 should fall under the purview of a tax adviser instead. Product producer or intermediaries may not have the expertise on tax issues. It is advisable for the investor to consult his own tax adviser.

Thank you.

Best Regards,

Lisa Leong
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EQUITIES | FIXED INCOME | PROPERTY

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SJ – n° 2662/Div.

Mr. Mohamed Ben Salem
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

15 January, 2010

Re: ASSOCIATION FRANCAISE DE LA GESTION (AFG)'s comments on IOSCO Consultation Report regarding Principles on Point of Sale Disclosure

Dear Mr Ben Salem:

The ASSOCIATION FRANCAISE DE LA GESTION FINANCIERE (AFG) – French Asset Management Association[1] would like to thank the International Organization of Securities

[1] The Association Française de la Gestion financière (AFG) represents the France-based investment management industry, both for collective and discretionary individual portfolio managements. Our members include 409 management companies and 660 investment companies. They are entrepreneurial or belong to French or foreign banking or insurance groups.

AFG members are managing more than 2600 billion euros in the field of investment management. In terms of financial management location, it makes the French industry the leader in Europe for collective investments (with more than 1300 billion euros managed by French companies, i.e. 23% of all EU investment funds assets under management, wherever the funds are domiciled in the EU) and the second at worldwide level. In terms of fund domiciliation, French funds are second in Europe and third at worldwide level. Regarding product interests, our association represents – besides UCITS – the employee saving schemes, hedge funds/funds of hedge funds as well as a significant part of private equity funds and real estate funds. AFG is of course an active member of the European Fund and Asset Management Association (EFAMA) and of the European Federation for Retirement Provision (EFRP). AFG is also an active member of the International Investment Funds Association (IIFA).

Commissions (IOSCO) for providing AFG with the opportunity to submit comments on the Consultation Report regarding '*Principles on Point of Sale Disclosure*', issued last November.

In parallel to the EFAMA response and to the joint letter of IIFA's members – to which we actively contributed - we would like to express the following comments:

1. We applaud the IOSCO Technical Committee for having approved the *Joint Project Specification on Point of Sale Disclosure to Retail Investors* in February 2007. In particular, we support the fact that both SC5 (in charge of Investment Management) and SC3 (in charge of Market Intermediaries) are working together on this topic. We also support that both product and distribution issues on the point of sale topic should be considered together since they can not be separated. Both product and distribution issues must take into account, and offer regulation that works within, all modes of product distribution.

2. Investment funds are already the most regulated retail investment products and we think that in order to ensure a better level playing field across the whole range of retail investment products, any principle regarding point of sale disclosure should apply at the onset to this whole range of products. Therefore, we are extremely surprised that the current Report submitted to *public consultation only focuses on Collective Investment Schemes (CIS)*. IOSCO mentions that '*the question of similar products may be considered at a later stage*'. <u>We urge IOSCO to commit to widen its work to these similar products as soon as possible</u>. When a retail investor is offered a product he should be informed on the same basis and in the same way whichever the retail investment product is, since from the investor's perspective the difference between the different types of products is not significant at first glance. As well there is no reason why similar information should not be available to an investor on all product types being offered, to permit a more informed, appropriate product choice to be made. Indeed, the vast majority of principles expressed by IOSCO in this Report could be applicable to this whole range of products and should not only target CIS.

3. While we generally support the IOSCO Principles expressed in this Report, we think that the Report may not sufficiently take into account the different distribution models which exist currently in the world. In some countries, distribution is mainly done through independent financial advisors while in other jurisdictions banking or insurance sales points are the primary or preferred channels. There are few common features between those different distribution models. Therefore the IOSCO principles on distribution should be reduced to those that are fundamental in order not to cause prejudice to any of the current distribution models.

4. We fully support IOSCO statements regarding financial education. Re-launching the work of IOSCO on this issue is crucial to enable retail investors to choose the right products or the level of service they desire. Instead of regulating more and more product manufacturers (and distributors), the main effort by IOSCO and other regulatory bodies at international, regional and local levels should be to improve investor education: although the information delivered may be right, if it is not understood because of the limits of investor financial education, no improvement will be achieved in practice. As you know, too much information kills

information: what is crucial is to deliver the right information, and for the investor to be able to understand not only this information but also all the elements surrounding this information, to make sure that it responds to his/her needs.

5. The notion of consumer testing, stressed by IOSCO, is of course laudable in principle but may lead to dangerous conclusions if it is not done appropriately and objectively. For instance, within the EU, the idea of a Synthetic Risk Reward Indicator in the UCITS simplified prospectus ("KID") was presented to consumers through testing. Of course this notion on its face was appealing for consumers! But at the time this idea was submitted, European institutions had not yet set up any relevant and non-misleading methodology for such an indicator. Now that European investors have approved the idea, the principle of a synthetic indicator, even imperfect, is unfortunately to be applied – even though European institutions are still unable to provide for an appropriate methodology... The lesson is that consumer testing must be carried out in a careful and sensible way and that regulators should work in cooperation with the industry prior to such testing. Only this will ensure that investors benefit from the best measures applied afterwards.

Once again, we would like to thank you for the opportunity to allow for the investment funds industry to be heard.

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We thank you in advance for your attention to the views expressed above.

If you wish to discuss the contents of this letter with us, please contact myself at +33 1 44 94 94 14 (e-mail: p.bollon@afg.asso.fr) or Stéphane Janin, Head of International Affairs Division, at +33 1 44 94 94 04 (e-mail: s.janin@afg.asso.fr).

Sincerely,

Pierre BOLLON

ABS Feedback on Principles on Point of Sale

Chapter I

1. Enhanced POS disclosures for CIS products

a. CIS product sales are mandatorily associated with comprehensive prospectus which are given to clients. Disclosures regarding sale are part of the sales documents specific to the Bank. Need to understand what potential new POS disclosures are being referred to.

b. Agree with the point that any amount of disclosures do not help unless investors also read, comprehend, which is also linked to the financial literacy of the investors. While at specific product level – features & risks are explained and client seem to comprehend the product & acknowledge the risks. However, when the product underperforms or turns sour due to market conditions, it is often noted that investors highlight the lack of understanding post-facto. So, any efforts in this directions need to better clients' understanding & affirming the same pre-sale.

c. Similar points being discussed in Chapters III, IV & V as well & same applies.

Chapter II

2. Need for effective disclosures / Fee arrangement / conflict of interest

a. Upfront Fees for CIS product sales are disclosed in sales documentations clearly at present, while prospectus/brochure would typically disclose the maximum upfront sales charge/commission chargeable by the distributor. Management Fee as well as total expense (measured as TER) is also disclosed in Prospectus. Distributor Trailer Fees paid to distributors from the Management Fee is not a standard across various distributors but they are still displayed at the branches as standard displays in the client areas, but, however, since this fee-sharing is within the Management Fee it is already part of the product disclosures in Prospectus/Brochure. There may be some slightly complex variety of CIS products (B-Shares, for example), which may have some layered fees (12-b1 as well as backend CDSC upon redemption), which clients need to comprehend over & above the standard upfront sales charge & Management

Fee/Fund TER. Besides, Hedge Funds may levy performance fee by the underlying managers beyond a watermark threshold of performance & in case of Fund of Funds, the fee layering comes into play, which information will be disclosed in the offering circular of the products. Similar points being discussed in Chapters V as well & same applies.

b. But it is a good suggestion to have a prospectus summary (say, part of the Product Highlight Sheet) to disclose all key information, including but not limited to the fee information, and not relieve the responsibility of the clients to read the prospectus in its entirety. Similar points being discussed in Chapter VI as well & same applies.

c. Consumer-friendly Prospectus simplification (with respect to content relevance, language, timeliness) is always welcome & useful for investors to understand the product & risks better prior to investments. Care to be taken not to oversimplify thus opening up further risks of non-disclosure or lack of details for investors to consider at POS.

d. More illustrative documents with the use of colour, tabulation, charts & other graphic content facilitate understanding more effectively. A suggestion is for producers to have more illustrative (better even if animated, flash & more interactive, live content) product information on the websites on the nature & risks of the product.

Chapter V

3. Producer disclosure versus Intermediary disclosure

a. Producer disclosure is expected to cover details about the various risks affecting the product, performance, cost, liquidity, exit-options, legality & operationability during different market/economic situations. Intermediary disclosures currently cover sales & services pertaining to intermediaries, including receipt/understanding of the product documents (prospectus, factsheet, brochure where applicable), distinction of investments from conventional bank products (deposits, etc), fee/cost relating to sale/holding of investments, transactionary constraints (if any), clients' right to cancel/cool-off period, etc.

b. Suggestion for regulators to assess/research what specific information disclosure has been the point of contention among investors with respect to any perceived asymmetry in the information among market participants & then have proposal in increasing disclosures of CIS products vis a vis other financial products.

c. Depending on the nature, quantum & delivery means of the additional POS disclosures, the cost impact may often factor into the pricing of the product at both producer & intermediary. On the other hand, benefits of any new disclosure is limited to the extent client acknowledges the comprehension of the same at POS, especially when investments have gone lower during down market conditions. So, balanced approach in weighing the two perspectives is useful & partially useful to channel the same efforts towards improving the investor knowledge & know-how by both producers & intermediaries.

Chapter VI

4. Disclosure of key information & delivery

a. Proof of delivery is mainly through explicit acknowledgement by clients for receipt & comprehension of the appropriate documents, Prospectus, PHS in future/key-info, etc), which is in effect currently. Any other form of proof should be evaluated for practicability from both client & intermediary perspectives.

b. What constitutes conflict of interest as outlined here (inclination for intermediary to sell one product provider's products versus others) needs to be elaborated. Generally, product strategy takes into account a number of factors, including but not limited to, the current & prospective economic / market, products & fund managers of products well-positioned for such conditions, track record of the product / manager, specific risks involved & other specific product features with respect to the market conditions. Thus a particular manager with good track record & continuous demonstration of quality products & product suite well positioned for market conditions should not be misinterpreted for conflict of interest.

Association of the Luxembourg Fund Industry
Association Luxembourgeoise des Fonds d'Investissement

Luxembourg, 15 February 2010

Public comment on IOSCO's Principles on Point of Sale Disclosure

Introduction

1. ALFI represents the Luxembourg investment management and fund industry. It counts among its membership asset management groups from various horizons and a large variety of service providers. According to the latest CSSF figures, on 30 November 2010, total net assets of undertakings for collective investment were EUR 1.789 billion.

2. There are 3,473 undertakings for collective investment in Luxembourg, of which 2,097 are multiple compartment structures containing 10,875 compartments. With the 1,376 single-compartment UCIs, there are 12,251 active compartments in Luxembourg.

3. We thank IOSCO for the opportunity to participate in this consultation on principles on point of sale ("POS") disclosure. We welcome IOSCO's interest in this matter and we share IOSCO's desire for clear and accurate disclosure of information to retail investors in a form that helps them to understand a fund and to compare it to other funds that might be available to them. We thought that IOSCO's paper was very well written and we generally agreed with it.

4. We have included in our response references to relevant pages and paragraph numbers in IOSCO's paper.

General points

5. We note IOSCO's statement that there is a challenge to identify "truly comparable products [to CIS] that are as popular with the retail investor" (page 2, penultimate paragraph). The insurance industry and the banking industry (the latter through certificates) compete with CIS for the same assets. The fact that the legal form of the products is different does not in our opinion diminish the reality of the competition. We therefore recommend that IOSCO encourages its members to do more work to make all investment products comparable, at least on fundamental elements required by investors such as returns, risk and cost (as highlighted by your research) in order to ensure a fair level playing field. We are concerned that the imbalance in regulation between CIS and competing products puts CIS at a material disadvantage.

6. We think that it is understandable that current regulatory discussion refers to the recent financial crisis (page 1, third paragraph) but we think that the reference should be used cautiously in the context of POS information. What can be foreseen and disclosed at the point *and time* of sale might be very different to what exists during a crisis. In our opinion, none but the most defensive POS documents would have accurately described the risks of 2008 except in the most general "boilerplate" manner, and regulators rightly do not want POS materials to use boilerplate language. We see an unavoidable dichotomy here: POS material cannot be brief (typically 2 sides of paper) *and* comprehensive, and it cannot resolve the information asymmetry that IOSCO described (page 4); it can only provide a good précis of a fund. We

believe that as a prerequisite to shorter and comparable information, more work has to be done on defining common terminology, product and risk segmentation, calculation methods and ways to determine what is "key" information.

7. Mandatory POS material can make information more accessible to retail investors who are not inclined to research a product fully and aid comparison with other products that are subject to the same mandatory POS regime. We support those aims but we think that it is important to recognise the limited utility of POS such as the European Key Investor Document ("KID") in solving information asymmetry problems. With the possible exception of information such as the synthetic risk indicator, information that will be published in the KID is already available at the point of sale in the prospectus, the application form and often in marketing material. Such mandatory POS material therefore cannot improve the quantity of information available. Nor can it improve the quality of information if the prospectus is well written (which it should be given that it is subject to the approval of IOSCO's members). We are concerned that the present regulatory emphasis on accessibility and brevity and the commonplace assumption in Europe that sales may safely be made on the basis of the KID alone creates a risk that the main prospectus will be deprecated. We believe that the prospectus is an important document, which cannot be satisfactorily replaced by a single POS document such as the KID, and we believe that the regulatory pressure upon the product producer in Europe to produce and be liable for a singular document will not uphold investors' interests in the long term.

8. Luxembourg is the world's premier domicile for cross-border investment funds and Luxembourg-domiciled UCITS are sold in many markets beyond Europe, notably in Asia, Latin America and the Middle East. We value our good relations with regulators and financial institutions in these markets and we regard our business with them as an exemplar of co-operation and cross-border trade. We hope that the introduction of the European KID will provide us with the opportunity to extend our co-operation and deliver the KID to local investors with minimal adaptation beyond translation into the local language. We invite IOSCO to encourage its members to facilitate the cross-border use of POS material in this way.

9. In our opinion, IOSCO has rightly avoided saying that POS information should be delivered in a single document and it has recognised that product producer and intermediary have separate POS disclosure obligations (pages 24 and 25), for which they are separately responsible. For example, we think that the following information cannot satisfactorily be provided by the product producer and is for the intermediary to provide:

a. Investor tax advice (or a notice that the investor should seek specialised advice).

b. Conflicts of interest at the point of sale (e.g., sales commission or other vested interest).

We might however suggest that the product producer be required to include clear language in its POS material drawing the investors' attention to these matters and inviting them to ask their intermediaries about them.

10. We think that, if proof of delivery of POS is required, it should be the responsibility of the intermediary/distributor that made the sale (page 25, Principle 2, first bullet point). It is not feasible to require the product provider or central transfer agent to keep this proof. Requiring the distributor to keep the proof is also compatible with MiFID.

11. We agree with IOSCO's view that scalar (synthetic) risk indicators have limitations (page 24, third bullet point).

12. We believe that most of the information described by IOSCO as "additional information" (page 24, eighth bullet point) can only practicably be included by a "layered" approach.

Points of uncertain understanding and requests for clarification

13. We think that there are several points in the paper where it would help the reader if IOSCO clarified its advice:

a. We were uncertain what IOSCO meant when it said that an intermediary should "obtain additional product information independently rather than relying solely on the contents of the prospectus" (page 18, third bullet point). Does this mean the collection of performance history from a market data vendor? Does it refer to the audited reports and accounts? Does it imply an obligation on the intermediary to perform due diligence to ensure that the investment product is bona fide? We think that it is important that the intermediary should be obliged to ensure that any such information provided to the investor is consistent with the product's prospectus and is used in a way that does not misrepresent the product (e.g., with respect to benchmarks that are declared in the prospectus).

b. We understood the English but not the idea when IOSCO said, "regulators may want to consider whether an investor is in a position to make an informed decision about whether to invest before the point of sale" (page 25, Principle 2, third bullet point). Is this a continuation of IOSCO's earlier point about ensuring the delivery of POS material prior to investment (and evidence of delivery) or does IOSCO mean that regulators should consider measures to ensure that the intermediary has determined the product's suitability to meet the investor's need and whether the investor is capable of understanding the intermediary's advice?

c. We are uncertain what IOSCO meant when it said that product producers should take into account "whether the investment is recommended by the intermediary" (page 26, Principle 3, first bullet point). Is that meant to be a reference to whether the relationship is discretionary management or execution only? If it is an execution-only relationship, does IOSCO mean that the POS material must still be delivered to the client or that the intermediary is released from the obligation to do so? On the other hand, if IOSCO is referring to a discretionary mandate, then surely the intermediary would be released from the obligation to deliver POS material to its client unless the investment was outside of the terms of that mandate?

AVIVA
INVESTORS

12 February 2010

Mr Mohamed Ben Salem
Senior Policy Advisor
IOSCO General Secretariat
C / Oquendo 12
28006 Madrid
Spain

Dear Mr Salem

Aviva Investors' Response to IOSCO's Public Comment on Principles on Point of Sale Disclosure

Aviva plc is the world's fifth-largest[1] insurance group, the largest insurance services provider in the UK and is one of the leading providers of life and pension products in Europe and is actively growing its long-term savings businesses in Asia Pacific and the USA. Aviva's main business activities are long-term savings, fund management and general insurance.

Aviva Investors is the global asset management business of Aviva plc, managing assets in excess of £222 billion[2] across a range of funds and asset classes. The business operates under a single brand with 1,430 employees in 20 locations across North America, United Kingdom, Continental Europe, and Asia Pacific.

We welcome moves to improve clarity and consistency in disclosures for retail investors, subject to due cost benefit analysis. We consider it important that retail investors are given consistent and appropriate information in order to compare products and help them ensure they are investing in the best product for their circumstances. We note IOSCO's report proposes principles only in regard to collective investment schemes (CIS). These are only one type of product that retail investors may use to achieve their intended investment outcome and therefore, we support wider consideration taking into account all substitutable products, such as that being undertaken by the European Commission on Packaged Retail Investment Products.

The existing inconsistencies in disclosure across the retail market act as a barrier to the effective comparison of the characteristics of different product types and hence, to the quality of investor decision-making. However, it should be noted that increased transparency does not necessarily mean more information; the focus must be placed on content of the disclosure, rather than its quantity. Moreover, consideration needs to be given to the cost of the disclosure as there is potential for this to impact the cost of the product for the retail investor.

We recognise that there will be limitations to any approach to disclosure of key information in regard to CIS since retail investors are not homogenous. No solution can work well for every investor. Nonetheless, we believe that it is worthwhile working towards improving the effectiveness of such disclosures. Therefore, we are supportive of the principles proposed in this paper which we consider to be reasonable. It is our policy to support harmonisation of regulatory standards wherever possible in order to avoid competitive disadvantage and increased costs and therefore, we welcome IOSCO's initiative to propose these principles noting that consideration should be given to non-CIS products.

[1] Based on gross worldwide premiums for the year ended 31 December 2008
[2] As at 30 June 2009

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We are generally supportive of the layered disclosure approach for retail investors. This approach can enable key summary information to be presented in a succinct and accessible manner, at an early stage in the sales process. When this is supplemented with additional, more detailed, information, it can help to ensure that retail investors have access to all the information needed to make an informed decision in a more easily digestible way than is the case presently in many jurisdictions. In addition, it has the benefit of avoiding the potential conflict that exists with a one stage disclosure regime, between providing all the required information for a retail investor to make an informed decision and ensuring the disclosure is understandable and usable. The cost/benefits of a layered approach are likely to be a key consideration for any regulator introducing that approach.

Please note that we ask for our submission to remain private and therefore, not be made available for public inspection.

Yours sincerely

Mark Buckley
Global Client Services Director

Dear Sirs.,

On behalf of ANBIMA (resulted from the merger of ANBID and ANDIMA in Brazil), we would like to register that the Consultation Report was analyzed by the associations' market participants and we agree with the principles proposed. In fact, all the principles proposed are in place in the Brazilian regulation, both governmental and voluntary, being most of the means of implementation suggested already in use in our market.

Kind regards,

► **Sergio Mello**
ANBIMA - Associação Brasileira das Entidades dos Mercados Financeiro e de Capitais
Fone: (55 11) 3471-4227 – Fax: (55 11) 3471-4230
www.anbima.com.br

Rabat, le 13 février 2010

Principle 1 :

Key information should include disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product and the remuneration and conflicts associated with the intermediary through which the product is sold.

Commentary :

The Moroccan regulation has established the information to be provided to investors at the time of subscribing to the mutual fund.

The information listed in Principle 1 are taken into account in the documents submitted by the the institution responsible for the sales of the mutual fund to subscribers when entering into a relationship with them. These documents provide information on the characteristics of the mutual fund (investment policy, benchmark, ...), operation (costs, allocation of profits, ...), its stakeholders (executives, capital, earnings, ...), the portfolio composition and the evolution of its activity. The objective is to give the subscriber all the elements necessary to evaluate the product and to assess the risk associated with it.

The information generated are included in the disclosure documents (management regulations or statutes, briefing and prospectus) and the activity reports of the mutual fund provided to subscribers prior to subscription.

The contents of this information differs depending on the product. Thus, more the risk is important more the information is developed: if the operations performed by a mutual fund generate conflicts of interest. The mutual fund shall also specify in the disclosure documents, the principles and rules established in order to protect the interests of subscribers.

It should be noted that the rules governing mutual fund are updated whenever necessary to incorporate new requirements for disclosure to investors, especially when creating new products.

Principle 2 :

Key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.

Commentaire :

The Moroccan regulation has established that the institution responsible for the sales of the mutual fund provides to subscribers the backgrounders on the product. The regulation set the documents to be made available at the time of purchase (the disclosure documents and the latest periodicals of the mutual fund) indicating those to be delivered free of charge (the prospectus).

Moreover, to ensure that the subscriber has received the necessary information, subscribing to the mutual fund must be materialized by the signing of a subscription form in which the client declares having received the prospectus. A model for the subscription is provided by the regulator.

Principle 3 :

Key information should be delivered or made available in a manner that is appropriate for the target investor.

Commentary:

In terms of modalities of communication of information necessary for the investor, the Moroccan regulation requires accuracy in the disclosure documents of the mutual funds related to the institution responsible for the sales, its managers and its address. Those responsible for marketing and coordinated are contained in the prospectus of the mutual fund discount when subscribing.

In addition, the media used must clearly state that the briefing is held available to the public for consultation in all institutions responsible for collecting subscriptions.

Moreover, the advertising media used for communication on the product have to be approved by the financial authority prior to their release.

Principle 4 :

Disclosure of key information should be in plain language and in a simple, accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products.

Commentary :

The Control made by the financial authority concerns also the quality of information contained in disclosure documents of the mutual funds. It must be clear and understandable for all subscriber.

As a result, the Moroccan regulation has adopted the approach of standardization of information by developing a model type of the different documents and information in order to:

· Fix and organize information to be communicated to subscribers;
· Standardize the information given.

This approach aims to facilitate the exploitation of information by different categories of subscribers and the comparison of the different products offered.

Principle 5 :

Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis.

Commentary:

The Moroccan regulation provides that the information contained in the prospectus is written in a plain style, without mitigating the negative aspects or accentuate the positive aspect.

The funds administrator must update the disclosure documents when changes affect the information, including those related to product characteristics and its stakeholders. This update is subject to validation by the financial authority and must be published before its entry into force.

Principle 6 :

In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed.

Commentary:

The control of information is the responsibility of both the funds administrator, who prepare the background papers for subscribers and the institution responsible for the sales.

Indeed, the requirements of clarity, accuracy and consistency of the information contained in disclosure documents lies with the funds administrator that creates the product. The requirements of compliance of transmission and dissemination of this information lies with the promoter. The latter is responsible for clarifying and explaining to underwriters characteristics of products marketed, the risks and costs involved and the role of stakeholders in the functioning of the mutual fund and in accordance with what is stated in the documents information from the mutual funds. The marketer is also responsible for submitting the tax regime applicable under the legal regime of the mutual funds and the particular circumstances of the investor.

Thus, the Moroccan regulation provides for the formalization of the relationship between the establishment and management of the institution in charge of marketing. This formalization is materialized through the establishment of a contract that defines the duties and obligations of each party. This contract is approved by the Securities Commission before its implementation.

European Fund and Asset Management Association

International Organization of Securities Commissions (IOSCO)
To the attention of
Mr Mohamed Ben Saleem
Senior Policy Advisor
Calle Oquendo 12
28006 Madrid
Spain

Brussels, 12 February 2010
Ref. 10-1090

PUBLIC COMMENT ON PRINCIPLES ON POINT OF SALE DISCLOSURE

Dear Mr Ben Saleem,

EFAMA[1] welcomes **IOSCO's Consultation Report on Principles on Point of Sale Disclosure** of November 2009 (the "Report"). We are grateful for the opportunity to submit comments on this consultation report.

EFAMA members congratulate the IOSCO Technical Committee for having approved the "Joint Project Specification on Point of Sale Disclosure to Retail Investors" in February 2007. They particularly supported that both SC5 (in charge of Investment Management) and SC3 (in charge of Market Intermediaries) were working together on this topic. They also welcomed that both product and distribution issues on the point of sale topic should be considered together. Equally, point of sale disclosure principles must take into account, and offer regulation that works within all modes of product distribution.

We allow ourselves to first briefly remind you of the regulatory framework for point of sale disclosure for CIS in Europe and then outline the comments of our members regarding the Report.

[1] EFAMA is the representative association for the European investment management industry. It represents through its 26 member associations and over 40 corporate members approximately EUR 12 trillion in assets under management of which EUR 6.8 trillion was managed by approximately 53,000 funds at the end of September 2009. Just under 37,000 of these funds were UCITS (Undertakings for Collective Investments in Transferable Securities) funds. For more information about EFAMA, please visit www.efama.org.

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I. Regulatory framework in Europe

In Europe, retail CIS are already some of the most regulated products for point of sale disclosure. A large majority of European funds (at the end of September 2009, just under 37,000 of the 53,000 European funds) are incorporated as UCITS funds.

The UCITS and MiFID Directives (Directive 85/611/ECC as subsequently amended, Directive 2009/65/EC and Directive 2004/39/EC) are applicable to the distribution of these UCITS funds to retail investors. The UCITS III Directive (Directive 85/611/ECC as subsequently amended) provides among others that a Simplified Prospectus is to be provided to retail investors before purchase or subscription of a UCITS. The UCITS IV Directive (Directive 2009/65/EC) will bring the replacement of the Simplified Prospectus by the Key Information Document (KID). Furthermore, it should be pointed out that for most CIS, whether incorporated as UCITS or non-UCITS, at the point of sale the prospectus, the application form, marketing material and financial reports are available to investors.

The European Commission has recently published an update on its ongoing work on Packaged Retail Investment Products (PRIPs). The European Commission proposes harmonisation of the pre-contractual disclosure for key information documents and selling practices for retail investment products which are substitutes to CIS. The Commission's objectives are to ensure investor protection standards by creating a level playing field between different types of retail investment products. The benchmarks defined by the Commission are twofold: On the one hand, for pre-contractual disclosures the Commission aims for the application of a KID as developed for UCITS to all PRIPs. On the other hand, for selling rules the Commission wishes to achieve investor protection through the application of the conduct of business and conflicts of interest requirements laid down in MiFID to all PRIPs. The determination of products to be included is approached through a definition based on criteria as to the economic functioning of the product.

Furthermore, at a European Member States level, many initiatives have taken place or are taking place regarding the application of a level playing field among a wide range of investment products, in order for retail investors to be treated in a similar way whichever these products are. In France, for example, the so-called "Delmas-Marsalet Report" regarding the distribution of financial products highly contributed to this debate. The UK is currently also addressing the subject of distribution to retail investors. The UK has had a comprehensive disclosure regime for the majority of retail investment products, including CIS, for over 20 years. The UK regulator is also currently conducting a retail distribution review, which proposes a widening of the scope of retail investment products to which the disclosure regime will apply. This is expected to take effect from the end of 2011.

II. Comments on IOSCO Consultation on Point of Sale Disclosure

1. Extension of Recommendations to other Products

The ongoing works at European level (please see above) seek retail investor protection not only in case of investment in CIS but in all substitutable retail investment products and independently of the sales channel. It is therefore disappointing that the IOSCO Consultation Report confines itself only to CIS. There is a statement in the Report that "the question of similar products may be considered at a later stage". It is unclear why the principles proposed by IOSCO for disclosure of key information should not apply to the whole range of retail investment products.

Not extending the discussion on point of sale disclosure to all retail investment products will make the achievement of the objective of investor protection highly unlikely. CIS are already highly regulated and transparent retail investment products in particular compared to substitute products. If substitute investment products are subject to less stringent disclosure requirements, especially in the area of risks and costs, prospective investors may mistakenly believe that certain risks exist only in the area of CIS. Requirements applicable to CIS only could also create strong incentives for brokers and other intermediaries to recommend other investment products not subject to the same requirements, even when those products do not offer the same level of regulatory protection and other benefits to investors. In order to enable the consumer to make fair comparison of all substitute investment products at point of sale, IOSCO should widen the scope of its work to include all substitute investment products and thereby create a level playing field.

EFAMA members therefore strongly advise to opt for an all-encompassing approach for point of sale disclosure in order to avoid asymmetries in investor information. Only by requiring similar information for all retail investment products, independently of their legal form or distribution channel, IOSCO will put investors in a position to make a fully informed, appropriate product choice.

EFAMA members understand that there is a challenge to identify truly comparable products to CIS but nevertheless think that in order to achieve effective investor protection it is crucial that the IOSCO Principles proposed by the Report be applied to all substitute investment products.

2. Different distribution models

EFAMA members pointed out that many different distribution models currently exist worldwide. Distribution may be carried out through independent financial advisors, platforms or banking or insurance sales points. There are few common features between those different distribution models. EFAMA members believe that IOSCO principles on distribution should recognize that regulators should ensure that disclosure requirements are designed to minimize disruptions to the sales process.

3. Documentation to be provided

EFAMA members welcome the fact that IOSCO does not recommend that point of sale information should be delivered in a single document. It is important to recognise that product producer and intermediary have separate point of sale disclosure obligations for which they are separately responsible. The product producer, for example, being usually not in direct contact with the relevant investor, is not in a position to satisfactorily provide information on investor tax advice, commission and fees of distributors or sub-distributors, costs added to a product wrapper or conflicts of interest at the point of sale.

4. Proof of delivery of Information

EFAMA members pointed out that the product producer or a central transfer agent cannot be held responsible to provide proof of delivery of information at the point of sale. If proof of delivery of such documentation at the point of sale is required, it should be the responsibility of the intermediary/distributor that made the sale.

5. Retail Investor Education

It is welcomed that the IOSCO Report also addresses the issue of lack of retail investor education regarding financial products. EFAMA members agree that however disclosures are mandated, they will not have the intended effect if the investor does not either read or understand the information provided. Members appreciated the call to regulators "to consider measures to help improve retail investor education in order to enhance financial literacy and ability to read investment documentation and make informed decisions".

EFAMA members also underline that in addition thereto, the investors will need enhanced ability to understand the product described in the investor documentation. Successive regulations have tried to simplify product disclosure to retail investors. But it has long been the case that, whilst retail investors might find the documents easier to read, they have lacked the financial education to understand the product itself.

6. Consumer testing

The notion of consumer testing or investor research, stressed by IOSCO, is very important. However, EFAMA members pointed out that any such testing or research must be well-designed and properly implemented in order to provide accurate and informative results.

7. Requests for clarification

Several points in the paper seemed unclear to our members and they were asking for clarification by IOSCO:

The recommendation stating that an intermediary should "obtain additional product information independently rather than relying solely on the contents of the prospectus" (page 18, third bullet point) remains vague and creates uncertainty over the obligations for the intermediary (in particular regarding the type of information concerned, its sources and the due diligence to be employed by the intermediary). Members voiced concerns regarding a potential inconsistency between such additional information and the product information included in the prospectus.

One of our members asked for clarification of the Principle 2 (page 25, third bullet point) that "regulators may want to consider whether an investor is in a position to make an informed decision about whether to invest before the point of sale". It wishes confirmation whether this is a continuation of IOSCO's earlier point about ensuring the delivery of point of sale material prior to investment and evidence of delivery.

We remain at your entire disposal should you wish to discuss any of the above comments or require any further information.

Yours sincerely

Peter De Proft
Director General

IOSCO consults on point of sale disclosure for Collective Investment Schemes – ASISA comments

Principle 1

Key information should include disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product and the remuneration and conflicts associated with the intermediary through which the product is sold.

This is required to be disclosed on application forms and in fund fact sheets. In addition, FAIS requires disclosure of intermediary fees and CIS disclose the value on client statements. Refer to attached COLLECTIVE INVESTMENT SCHEMES CONTROL ACT 45 OF 2002 *section 3(a) of CISCA.*

Principle 2

Key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.

This is required to be disclosed on application forms and in fund fact sheets. Refer to attached COLLECTIVE INVESTMENT SCHEMES CONTROL ACT 45 OF 2002 *section 3(b) CISCA.*

Principle 3

Key information should be delivered or made available in a manner that is appropriate for the target investor.

The code of advertising requires the use of plain language. Refer to attached COLLECTIVE INVESTMENT SCHEMES CONTROL ACT 45 OF 2002 section 3(b) of CISCA.

Principle 4

Disclosure of key information should be in plain language and in a simple, accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products.

This Principle is very much duplication of Principles 2 and 3 however this is Covered by section 3(b) of CISCA. I.e. The code of advertising requires the use of plain language.

Principle 5

Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis.

This is covered by COLLECTIVE INVESTMENT SCHEMES CONTROL ACT 45 OF 2002 section 3 of CISCA. Principle 5 sounds like a duplication of Principle 4 nonetheless.

Principle 6

In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed.

Where CIS are sold directly to the investor by the manager the disclosures are made by the manager. However, where the CIS is sold through a LSIP platform the LISP has to disclose the information required plus any additional advisor or platform administration charges.

In addition, the Report's examination of possible disclosure of key information has highlighted the following important points:

- No matter what disclosures are mandated, they will not have the intended effect if the investor either does not read and/or understand the information provided. Regulators should therefore consider measures to help improve retail investor education in order to enhance their financial literacy and ability to read investment documentation and make informed investment decisions;

  Although this is covered by section 4(4)(f), ASISA has an investor education strategy by making material available through the press. Additional education material is available on the ASISA website. www.asisa.co.za

- In general, new POS disclosure requirements should not be imposed without the benefit of consumer testing or assessment to help determine the likely effectiveness of new disclosure requirements; and

- The principles set forth in this report may also be applicable to non-retail investors.

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Mr Greg Tanzer
Secretary General
IOSCO
Calle Oquendo 12
28006 Madrid
Spain

15th February 2010

Email: posdisclosure@iosco.org

Dear Mr Tanzer,

Principles on Point of Sale Disclosure: consultation report

General remarks

1. The International Banking Federation (IBFed) welcomes IOSCO's public consultation on Principles on Point of Sale disclosure and it is very appreciative of the work conducted by IOSCO´s Joint Group (i.e. TCSC3 and TCSC5) on this issue.

2. The IBFed is broadly supportive of the draft IOSCO principles put up for consultation. They are: (i) mindful of the need to ensure that disclosures for retail investors are effective; (ii) consistent with the existing disclosure requirements and modes of delivery in IOSCO jurisdictions; and (iii) cognisant of the special challenges faced by regulators.

3. The IBFed believes that regulators should be mindful of the importance of ensuring that point of sale disclosure is:

   - *Short and concise*: Information should be presented in a clear, succinct and concise manner. Disclosure documents should be produced in a way that permits its use on a stand-alone basis. Cross reference to additional, credible information resources may be included insofar as the quality and usefulness of the disclosure documents for consumers is not diminished.

   - *Product specific*: Point of sale disclosure documents should contain key information relevant to the product or investment, including features, benefits, risks,

performance/returns, fees and expenses[1]. Generic information or features that apply to all products of a class should not be required to be included.

- *Flexible*: Point of sale disclosure documents should allow product producers the opportunity for disclosure to be tailored to their different product offerings. Intermediaries should also be allowed to provide their own disclosures. Principles for disclosure should be mindful not to inadvertently establish practices that undermine innovation in products and delivery channels. That said, the IBFed is supportive of certain content and presentation-related standardisation of disclosures by product class (e.g. for collective investment schemes) as this can be helpful to allow consumers to compare similar products and investments.

4. In the view of the IBFed, these principles can be applied not just to disclosures on collective investment schemes but also to disclosures on other products that are specifically marketed or designed for retail investors.

Specific remarks

5. On **Principle 1**, under 'risk and reward profile', the IBFed notes that those regulators considering the introduction of a scale to identify the overall risk measurement of the product (i.e. considering using a synthetic indicator expressing by the use of a single number of category the riskiness of an investment fund) should, in addition, permit the introduction of a supplementary short narrative description if the producer or distributor considers that such narrative is essential to investors' understanding of the meaning and the limitations of the indicator used in that particular product.

6. The IBFed does not support the use of visual models, such as a risk measurement of a product using a 'traffic light' approach. This approach, inappropriately based on the assumption that all investors are equal, does not provide an accurate representation of the particulars of a product or investment, such as the service levels, but rather it may invoke an emotional and subjective impression, which ultimately may be misleading.

7. In connection to intermediary disclosures, the IBFed notes that IOSCO recommends that the particular arrangements between the product producer and any given intermediary (e.g. possible conflicts of interest, costs, etc.) should be disclosed. IOSCO however, takes no position on whether these disclosures should be part of a single document or be contained in different documents. The IBFed believes that intermediaries should be allowed to provide their own disclosures.

8. The IBFed believes that **Principle 2** should draw a clearer distinction between the obligation to 'deliver' and the obligation to 'make available' the disclosed information. Delivery means that the distributor has to actively ensure the investor has received the document in the context of an actual advice situation (i.e. delivery → receipt). On the contrary, 'making available' means that the documents do not necessarily have to be actively provided, for example in the case of distribution through internet. As a consequence of this distinction, the IBFed believes that the product producer or the intermediary should *not* be requested to retain 'appropriate and sufficient' documentation to prove that the investor has had access to the disclosure information. It is important for

[1] The IBFEd notes that the full range of fees and expenses will often vary according to the method of distribution e.g., direct or through intermediaries.

disclosure principles to support leveraging online disclosure and innovation in other electronic delivery channels. In any event, the IBFed notes that IOSCO has refrained from providing practical guidance regarding what can be considered 'appropriate and sufficient' documentation.

9. With regard to the manner in which key information should be delivered or made available (**Principle 3**), IBFed members very much favour electronic media. The IBFed would still support delivery of key information in writing and free of charge upon an investor's request provided that request is *also* made in writing (i.e. by non-electronic means). IBFed also believes that reasonable timeframes for information being freely and readily available should be considered. Information otherwise should be retained commensurate with statutory record keeping requirements.

10. However, IBFed believes that where products are fully online or electronic only, there should not be an obligation to provide consumers with access to paper-based disclosures. Consumers that have chosen to take up an offer for a fully online or electronic only product should be taken as having provided consent to receiving disclosures via electronic media. While banks and their customers should have flexibility in the methods and mechanisms used to receive disclosures and notifications, regulators should take a pragmatic view which facilitates innovation in products and delivery channels.

11. As regard **Principle 4**, the IBFed would like to highlight that the use of plain language in the disclosed information should not have as a primarily aim the facilitation of meaningful comparison with competing products but rather the full understanding of that product. In addition, the IBFed considers that regulators should discourage lengthy disclosure documents when written material is used. Short disclosures are crucial to inviting an understanding of the product. Maximum page lengths are inevitably arbitrary. Care must be taken so that this limitation does not undermine the usefulness of the disclosed information.

12. In connection to **Principle 5**, IBFed is supportive of IOSCO's pragmatic view about product issuers' being required to revise and update key information and the recommendation to make this up-to-date information available on their website. Notably, the IBFed is supportive of IOSCO's position *not* to recommend that the product producer or the intermediary deliver updated disclosures to the investor on a continuous basis. Additional information may be provided in a supplementary manner or via the Internet.

13. Lastly, the IBFed concurs with the view of IOSCO that the split of responsibility between product producers and intermediaries for disclosing key information must take into account what party has control over the information that is to be disclosed (**Principle 6**). In that regard, the IBFed supports IOSCO's sensible stance not to be prescriptive as the role and tasks of intermediaries among IOSCO jurisdictions varies.

Conclusion

14. The IBFed is broadly supportive of the draft IOSCO principles on point of sale disclosure. The IBFed notes, nonetheless, that certain aspects of the Principles could be further refined to iron out some issues that may complicate the practical application of the

principles by product issuers across jurisdictions as well as enforcement of these principles by regulators. It is important that the disclosure principles adopt a high-level approach so that unnecessary regulatory burdens and compliance costs for product producers and/or intermediaries are minimised.

Yours sincerely,

Sally Scutt
Managing Director
IBFed

Pierre de Lauzun
Chairman
IBFed Financial Markets Working Group

INVESTMENT COMPANY INSTITUTE

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February 9, 2010

Via Electronic Mail (posdisclosure@iosco.org)
Mr. Mohamed Ben Saleem
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Re: Public Comment on Principles on Point of Sale Disclosure

Dear Mr. Ben Saleem:

The Investment Company Institute[1] ("Institute") welcomes the opportunity to comment on the IOSCO Technical Committee's consultation report, Principles on Point of Sale Disclosure, which proposes a set of principles for disclosure of key information relating to collective investment vehicles ("CIS") designed to assist markets and market authorities when considering point of sale disclosure (the "Report").[2] The Report analyzes issues related to the availability of key CIS information prior to the point of sale ("POS"), defined generally as the moment at which a request to purchase is made by an investor,[3] and sets forth six principles to guide regulators. The Report is not intended to address issues related to suitability or all disclosure obligations of an intermediary.

The Institute has the following comments on the Report:

- We strongly object to principles for disclosure of key information that are limited to CIS; instead, they should be applicable to all investment products offered to retail investors. Investors need clearly disclosed, key information about the range of investment products that may be offered by an intermediary.

[1] The Investment Company Institute is the national association of U.S. investment companies, including mutual funds, closed-end funds, exchange-traded funds (ETFs), and unit investment trusts (UITs). ICI seeks to encourage adherence to high ethical standards, promote public understanding, and otherwise advance the interests of funds, their shareholders, directors, and advisers. Members of ICI manage total assets of $11.82 trillion and serve almost 90 million shareholders.

[2] The Report is available at http://www.iosco.org/library/pubdocs/pdf/IOSCOPD310.pdf.

[3] Report, page 1 and note 3.

- We strongly support the Report's conclusion that POS requirements should not be imposed absent investor research; we believe, however, that such research must focus on all retail investment products and not solely CIS. Accordingly, the Report should recommend that regulators undertake POS research for all retail investment products prior to the development of any new POS requirements.

- The Report should include a principle stating that regulators should ensure that POS disclosure requirements are designed to minimize disruptions to the sales process to the extent possible.

We describe our views in more detail below.

The Report's Principles Should Not Be Limited to CIS

The Institute supports the availability of clearly disclosed, key information to inform investors and has conducted extensive research on investor information preferences. We firmly believe, however, that limiting disclosure requirements to CIS provides incomplete investor protection and may in practice disserve investors. Applying different requirements to only certain retail investment products, such as CIS, could create strong incentives for financial intermediaries to recommend other investment products not subject to those requirements – even when those products may not be the best fit for an investor.[4] The policy goals underlying the Report's principles – assuring that investors understand their investment and the intermediary's remuneration – are no less valid for other types of investments. If investors would benefit from receiving certain information at a specific time in the sales process, providing that information should be required for all retail investment products, not just CIS.

The Report highlights the importance of making key CIS information available to investors before the point of sale. As stated above, we do not see a basis for solely applying the principles for disclosure of key information to CIS because clearly disclosed, key information regarding an investment should be available to investors for all retail investment products. We note that, in the United States, disclosure rules have recently been amended to further simplify and refine the summary section of the mutual fund prospectus and to provide funds with the option to deliver a summary prospectus in lieu of the full prospectus.[5] The EU and Canada are

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[4] Regulators and consumer advocates in the U.S. have also expressed concerns about this result. *See, e.g.,* Remarks by Robert Glauber, Chairman, NASD, at the Investment Company Institute's 2006 General Membership Meeting (May 18, 2006), available at http://www.finra.org/PressRoom/SpeechesTestimony/RobertR.Glauber/p016642 (stating 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"); and Remarks by Barbara Roper, Director of Investor Protection, Consumer Federation of America, at the Securities and Exchange Commission 12b-1 Roundtable, Unofficial Transcript, p. 196, available at http://www.sec.gov/news/openmeetings/2007/12b1transcript-061907.pdf (stating that, by considering certain fee disclosures as "a mutual fund issue, instead of a broker compensation issue, sort of more holistically, you run the risk that you make mutual funds less attractive to sell. And I think that would be a very bad thing.").

[5] *See* Enhanced Disclosure and New Delivery Option for Registered Open-End Management Investment Companies, SEC Release No. 33-8998 (Jan. 13, 2009), available at http://www.sec.gov/rules/final/2009/33-8998.pdf.

also in the process of adopting regulations requiring disclosure of simplified, key information for CIS. We believe that these concise disclosure documents may serve as a good model when developing product-specific aspects of simplified disclosure for other retail investment products.

The Report Should Recommend POS Research for All Retail Investment Products

We are pleased that the Report recommends the use of investor research in the development of any new point of sale requirements. We strongly support the use of research in helping to develop and inform efforts to improve disclosure. Indeed, extensive research formed the basis for the 2009 revisions to the prospectus rules for U.S. mutual funds.[6] Similar efforts to conduct investor research and simplify disclosure have occurred in other jurisdictions, such as the European Union and Canada.[7] Particularly in the context of POS, it is imperative that regulators understand both the information needs of investors as well as the sources from which investors obtain that information before seeking to modify requirements for the content or the delivery of disclosure. It is equally important for regulators to study the ways in which retail investment products are sold to investors.[8]

Investor research regarding these matters must not be limited to CIS. Investors are confronted with an expanding array of investment options, some of which are quite complex. Many share key characteristics, but the differences can be significant. An examination of product information and distribution in the context of all retail investment products will help

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[6] *See, e.g.*, Enhanced Disclosure and New Prospectus Delivery Option for Registered Open-End Management Investment Companies, SEC RELEASE NOS. 33-8861 AND IC-28064 (JULY 31, 2008), AVAILABLE AT HTTP://WWW.SEC.GOV/RULES/PROPOSED/2008/33-8949.PDF; Final Report: Focus Groups on a Summary Mutual Fund Prospectus, Prepared for the Securities and Exchange Commission, May 2008; Transcripts: Focus Groups on a Summary Mutual Fund Prospectus, Prepared for the Securities and Exchange Commission, May 2008; Mandatory Disclosure Documents Telephone Survey, Submitted to the Securities and Exchange Commission, July 30, 2008; Investment Company Institute, Investor Views on the U.S. Securities and Exchange Commission's Proposed Summary Prospectus (March 14, 2008), available at http://www.ici.org/pdf/ppr_08_summary_prospectus.pdf; Barbara Roper and Stephen Brobeck, Consumer Federation of America, Mutual Fund Purchase Practices (June 2006), available at http://www.consumerfed.org/pdfs/mutual_fund_survey_report.pdf; Investment Company Institute, Understanding Investor Preferences for Mutual Fund Information (August 2006), available at http://www.ici.org/stats/res/1rpt_06_inv_prefs_full.pdf; Investment Company Institute, Ownership of Mutual Funds and Use of the Internet, 2006, Research Fundamentals, Vol. 15, No. 6, October 2006, available at http://www.ici.org/pdf/fm-v15n6.pdf; Investment Company Institute, Understanding Shareholders' Use of Information and Advisers (April 1997), available at http://www.ici.org/stats/res/arc-dis/rpt_undstnd_share.pdf.

[7] *See, e.g.*, Report, Annex A – Research Summary; UCITS Disclosure Testing Research Report, IFF Research and YouGov (prepared for the European Commission) (June 2009), available at http://ec.europa.eu/internal_market/investment/docs/other_docs/research_report_en.pdf.

[8] We stress that cost-benefit analysis is also an important component of this work, as acknowledged in the Report. *See, e.g.*, Investment Company Institute, Cost-Benefit Analysis of the Summary Prospectus Proposal (Feb. 28, 2008), available at http://www.ici.org/pdf/rpt_08_cost_benefit_analysis.pdf.

regulators develop rules to ensure that investors receive both appropriate investment recommendations as well as clearly disclosed, key investment product information.[9]

A recent bill passed by the United States House of Representatives includes provisions setting forth a sound framework for approaching an examination of retail investment products and the provision of documents or information to retail investors prior to the purchase of investment products or services.[10] The bill would require the U.S. Securities and Exchange Commission (the "SEC") to publish a study that examines:

- the nature of a "retail customer;"
- the range of products and services sold or provided to retail customers and the sellers or providers of such products or services within the SEC's jurisdiction;
- how such products and services are sold or provided to retail investors, the fees charged for such products and services, and the conflicts of interest that may arise during the sales process or the provision of services;
- information that retail customers should receive prior to purchasing each product or service and the appropriate person or entity to provide such information; and
- ways to ensure that, where possible, reasonably similar products and services are subject to similar regulatory treatment, including with respect to information that must be provided to retail customers prior to purchase of such products and services and how such information is provided.

In addition, before promulgating any rules to require a person or entity to provide designated information to retail customers prior to the purchase of investment products or services, the SEC must take into account the study findings and the need for such documents to be consistent and comparable across products or services. Further, any such rules must reduce, to the extent possible, disruptions to the purchase process such as by permitting required disclosures to be made via the Internet. We support this type of research and believe it will help ensure that any new disclosure requirements best serve to protect investors.

Include a Principle Regarding Minimizing Disruptions to the Sales Process

The Report should, in our view, include a principle stating that regulators should ensure that POS disclosure requirements are designed to minimize disruptions to the sales process. As stated above, the recent bill passed by the U.S. House of Representatives would require the SEC's rules to be cognizant of potential disruptions to the purchase process, a requirement that we support.

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[9] *See* Letter from Elizabeth Krentzman, General Counsel, Investment Company Institute, to Mr. Jonathan Katz, Secretary, U.S. Securities and Exchange Commission, dated Apr. 4, 2005, http://www.ici.org/statements/cmltr/2005/05_sec_pos_com.html#TopOfPage, commenting on the Securities and Exchange Commission's proposed confirmation and point of sale disclosure rules.

[10] *See* Wall Street Reform and Consumer Protection Act of 2009, H.R. 4173, Section 7104, available at http://financialservices.house.gov/Key_Issues/Financial_Regulatory_Reform/FinancialRegulatoryReform/hr4173eh.pdf.

In many jurisdictions sales of retail investment products occur through various means, including by telephone or over the Internet, rather than through face-to-face meetings. Requiring the physical transfer of a document would make it substantially more difficult for an investor to accomplish a purchase and could create strong incentives for intermediaries to recommend other products not subject to such a requirement. Any POS disclosure requirement should provide investors with timely and convenient access to the required information without impeding investors' ability to conduct transactions and without imposing inappropriate costs and burdens on intermediaries.

* * * * *

In conclusion, the Institute supports efforts to improve disclosure for investors and particularly research efforts that help the market and regulators better understand investors' information needs for all investment products, as well as how they receive or could receive such information. As described above, we believe solely focusing on CIS is inappropriate and incomplete and does not best serve investors. If a regulator considers it beneficial for investors to receive certain information at a specific point in the transaction process, we believe that investors should receive the benefit of having that same type of information for all retail investment products.

We appreciate the opportunity to express our views and invite you to contact me at 202-326-5813 or Eva Mykolenko at 202-326-5837 if you have any questions about our comments.

Sincerely,

/s/ Susan M. Olson

Susan M. Olson
Senior Counsel – International Affairs

THE INVESTMENT FUNDS INSTITUTE OF CANADA
IFIC L'INSTITUT DES FONDS D'INVESTISSEMENT DU CANADA

BY EMAIL: posdisclosure@iosco.org

February 12, 2010

Mohamed Ben Saleem
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid Spain

Dear Sirs/Mesdames:

Re: Public Comment on Principles on Point of Sale Disclosure

We are writing to provide the comments of Members of the Investment Funds Institute of Canada ("IFIC") with respect to the *Consultation Report on Principles on Point of Sale Disclosure* (the "Paper") produced by IOSCO's Technical Committee's Standing Committee on the Regulation of Market Intermediaries (TCSC3) and its Standing Committee on Investment Management (TCSC5) group in November 2009.

IFIC is the national association of the Canadian investment funds industry. Our membership comprises mutual fund management companies, retail distributors and affiliates from the legal, accounting and other professions from across Canada.

We are pleased to be able to provide a view from Canadian investment funds managers and dealers on the important issues raised in the IOSCO Paper.

GENERAL COMMENTS

We recognize the importance of developing principles surrounding effective disclosure to investors for all investment products. We fully support measures that allow for investors to receive more meaningful disclosure for all investment products.

We support IOSCO's definition of delivery of disclosure documents to include the possibility of "making them available". In Canada, in the recently published *CSA Notice and Request for Comment – Implementation of Point of Sale Disclosure for Mutual Funds* (the "Proposal") regulators have not accepted "availability" as constituting delivery. They have adopted a more restrictive definition of delivery, requiring the dealer to deliver or send to the purchaser the relevant disclosures and to bring these documents to the attention of the purchaser before transacting. The industry has advised the Canadian regulators of significant technological, operational and compliance costs that would result from the changes to sales processes implied by these delivery requirements. These additional requirements do not apply to other products which compete directly with mutual funds and segregated funds. The Proposal would create the potential for product/securities arbitrage, ultimately undermining the mutual fund product to the advantage of other products traded in real time on exchanges and over the counter – principally stocks, bonds and exchange traded funds (ETFs). The international standard for delivery

proposed by IOSCO, in our view, poses fewer problems of product arbitrage than the present Canadian Proposal.

It is our view that the Paper provides a very good summary of disclosure issues commonly encountered internationally. Where we find the Paper falls short, however, is in its lack of focus on the institutional and historical differences that lead to different disclosure regimes such as diversity of distribution channels, diversity of financial institutions, investor preferences, and comfort with the use of new technology. These differences lead to the observed different regulatory treatments across jurisdictions, and show why a "one-size-fits-all" approach for all markets may not be a desired outcome.

Before moving in the direction of international standards of regulation, as identified in the Paper, countries should be cautioned that they should proceed only on evidence that the benefits of such action will outweigh the costs, and that any potential unintended consequences of such action are fully understood. It is essential that regulators conduct comprehensive quantitative research on the impacts of new standards and regulations before implementing them in the marketplace. Regulators should be cautioned against regulatory actions that would advantage one product or distribution channel over another.

We do not believe that the costs of regulatory change, and in particular the highlighted differences in regulatory regimes between Canada and other countries such as Canadians' widespread use of financial advisors, use of the Internet, preference for sales over the phone, and the considerable body of research available on Canadian investors, are adequately described in this Paper. We are pleased to provide specific examples below.

SPECIFIC COMMENTS

The Paper studies various methods of point of sale disclosure in various international jurisdictions. However, there is no discussion or evidence of regulatory failure to suggest the preference of one regulatory approach over another. Specifically, the Paper does not identify what regulatory issues, or harm to investors, arise in jurisdictions where disclosure regimes do not require pre-sale delivery of disclosure documents for mutual funds.

None of the studies summarized in Annex A of the Paper supports the view that investors would prefer a regulatory regime requiring the presentation of written disclosures to a client before a transaction is allowed to proceed over a regime allowing for client choice. The Canadian Proposal, which is referred to in the Paper, also has no underlying research in support of mandatory pre-sale delivery. The Canadian regulators have instead relied extensively on qualitative focus group testing of the actual document as justification of the fundamental changes to the sales process that this regulation will bring about. As noted in the IOSCO Paper, "the methodological limitations of such research can make it difficult to generalize findings, or to make assumptions on the likely impact of particular documents on consumer behavior." In contrast, there is ample third party evidence from the Canadian market which supports the view that investors would prefer a regime with choice over one with mandatory pre-sale requirements.[1] [2]

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[1] IFIC Mutual Fund Investors in Canada: Fourth Annual Landscape Study ("IFIC Study); https://www.ific.ca/workarea/DownloadAsset.aspx?ID=3704 at p. 14

[2] Mutual Fund Point of Sale Poll, Environics Research Group, 2007

The Paper unfairly places advisors in a negative light. Research from Canada shows that the majority of mutual fund investors uses an advisor and are satisfied with the service they receive. For example, research conducted by independent polling company Pollara on behalf of IFIC (the "IFIC Study") shows that investors are pleased to work with their advisors to determine what investments best meet their needs. [3] We note that the Paper lacks reference to research on how investors actually use the information they are provided with respect to investments. The IFIC study shows that investors currently feel they have the right information to make investment decisions at very high levels of satisfaction.[4]

The Paper mentions the IFIC Study finding that almost all surveyed Canadian investors in mutual funds say that they felt comfortable that they had the right information to make an informed decision about investing in mutual funds. This finding is referred to, however, as an example of consumers being overconfident and making bad investment decisions. This is not the interpretation that most readers would have of this result. In fact, it shows that consumers, most often with the help of their advisors, are getting the right amount of information to make investment decisions, and that after the fact when they are asked about it speak highly of their experience. This finding has been observed in a market without mandatory pre-sale disclosures.

In Section III, Point 24 of Annex A the authors refer to the Canadian Study finding that mutual fund investors in Canada have lower levels of electronic information usage and comfort levels. We are concerned with the usage of data from 2006 to argue against electronic access to documents when there have been year over year increases in adoption rates of the Internet. Recent figures on Internet usage show an 84% penetration rate for Canada[5], among the highest in the world, and penetration rates that are the highest in the world for those above the age of 60.[6]

In Section V of Annex A the Paper discusses limitations of consumer decision making. These are well known and documented biases which affect the financial decision making of many individuals. What is left unsaid in this analysis, however, is that these limitations of consumer decision making are precisely the reasons why many investors choose to invest with the counsel of a professional advisor. The section, however, appears to question how much an individual should trust the recommendations of an advisor, and to suggest that additional written disclosure is an alternative to advice. The Canadian research points very conclusively to the high degree of reliance that investors place on advice and the high levels of satisfaction they derive from it.[7]

The Cost/Benefit section of the Paper refers to direct costs, both on-going and initial, of moving to a new regime, and indirect costs (and benefits) of readier access to information about costs and conflicts, possible impacts on the way funds compensate sellers, and costs and benefits of duplicative disclosure. This, we believe, is an incomplete analysis of the costs of introducing new regulation in this area. We recommend that the IOSCO Paper include product arbitrage as a major consideration in the assessment of costs and benefits of implementing regulation in this area. This aspect of cost does not appear to have been fully considered in the development of the Canadian proposal.

The Paper does not address the potential for behavioral change in its cost/benefit analysis. Any change to an established rule or regulation creates the potential for behavioral change of market

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[3] IFIC Study at p. 4 and 11
[4] IFIC Study at p. 11
[5] http://www.internetworldstats.com/am/ca.htm
[6] http://www.newswire.ca/en/releases/archive/September2008/24/c7832.html?view=print
[7] IFIC Study at p. 11

participants. Investors should not be persuaded to seek other investment choices due to the increased costs faced by mutual funds and segregated funds that are not borne by other investment products.

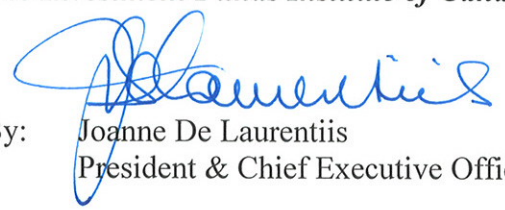
In addition to the potential for product arbitrage and behavioral change having negative impacts for investors, regulators should also consider the impact of proposed regulations on the competitive landscape. We have advised the Canadian securities regulators that their Proposal raises a number of concerns with respect to its differential impact on different business models that exist within the industry. This should be a concern to regulators because investors will have reduced choices available to them. For example, because of additional costs of compliance, which may be considerably higher for certain distribution models than others, the impact of the Proposal will fall unevenly on distribution channels – causing distributors of third party funds to stay within one or two fund families rather than provide the existing wider shelves of third party product while still maintaining their regulatory obligations. The resulting narrowing of shelves will increase the competition for shelf space and will favour fund companies with integrated distribution capabilities over those who rely exclusively on third party distribution. These differential business impacts limit investor choice – an impact also not considered in the Paper.

We believe that the unintended consequences of product arbitrage, behavioral change and reduced investor choice of regulatory changes in this area can be significant. We believe that these costs have not yet been fully considered in the development of the proposed Canadian regulation. This is an element of the Canadian Proposal which we feel has not been adequately reflected in the Paper's references to Canada, or in its proposed disclosure principles. Guidance from IOSCO to its constituent regulators on the need to be mindful of unintended consequences such as these would provide a valuable contribution to the policy debate on this issue.

*****

Thank you for providing us with an opportunity to comment. If you have any questions regarding this submission, please contact me directly by phone at 416-309-2300 or by email at jdelaurentiis@ific.ca or Jon Cockerline, Director, Policy – Dealer Issues by phone at 416-309-2327 or by email at jcockerline@ific.ca.

Yours truly,
The Investment Funds Institute of Canada



By: Joanne De Laurentiis
President & Chief Executive Officer

Sent via email: posdisclosure@iosco.org

February 15, 2010

Mr. Mohamed Ben Salem
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Dear Mr. Ben Salem,

We thank the International Organization of Securities Commissions (IOSCO) for providing the opportunity to submit comments on the Consultation Report regarding '*Principles on Point of Sale Disclosure*', issued last November.

We would like to express the following comments regarding the IOSCO Report:

1. We applaud the IOSCO Technical Committee for having approved the *Joint Project Specification on Point of Sale Disclosure to Retail Investors* in February 2007. In particular, we support the fact that both SC5 (in charge of Investment Management) and SC3 (in charge of Market Intermediaries) are working together on this topic. We also support considering together both product and distribution issues on the point of sale topic. Equally, point of sale disclosure principles must take into account, and offer regulation that works within, all modes of product distribution.

2. We believe that it is important to note that in some countries, distribution is mainly done through independent financial advisors while in other jurisdictions banking or insurance sales points are the primary or preferred channels. There are few common features between those different distribution models. We therefore encourage IOSCO to recognize in the principles that regulators should ensure that disclosure requirements are designed to minimize disruptions to the sales process.

3. We disagree with the IOSCO Technical Committee's decision not to extend the discussion on point of sale disclosure to retail investment products other than Collective Investment Schemes (CIS). As the objective of the point of sale disclosures is to assist retail investors, not extending the discussion to all retail investment products raises key concerns of investor protection. If "substitute" investment products are subject to less stringent disclosure requirements, especially in the area of risks and costs, prospective investors may mistakenly believe that certain risks exist only in the area of CIS. In fact retail investment funds are already highly regulated and transparent retail investment products and any principles regarding point of sale disclosure should apply consistently to a whole range of products. Also, requirements applicable to CIS only could create strong incentives for brokers and other intermediaries to recommend other investment products not subject to the same requirements, even when those products do not offer the same level of regulatory protection and other benefits to investors.

   We therefore strongly urge IOSCO to develop an all-encompassing approach for point of sale disclosure in order to avoid asymmetries in investor information and to better position investors to make fully informed, appropriate product choices by requiring similar information for all retail investment products. Indeed, the vast majority of the principles expressed by IOSCO in this Report could be applicable to this whole range of products and should not target only CIS. In this regard, some investment fund associations have had disappointing experiences with regulators implementing point of sale disclosure changes that were intended (as in the Joint Project Specification) to be applied to all retail products, but which ultimately were applied solely to CIS to date.

4. We fully support IOSCO statements regarding financial education. Re-launching the work of IOSCO on this issue is important for helping investors understand investment products and enabling them to better identify appropriate products or the desired level of service for their goals. We support efforts by IOSCO and other regulatory bodies at international, regional and local levels to improve investor education.

5. We fully support consumer testing and investor research, as stressed by IOSCO. However, any such testing or research must be well-designed and properly implemented in order to provide accurate and informative results. To be meaningful, it should also only be carried out once underlying calculation methodologies for any elements of the key information have been fully developed.

We also refer you to the individual investment fund association letters submitted to IOSCO which may provide more detail on association experiences or additional comments. Once again, we thank you for the opportunity to be heard.

We invite you to contact any of the undersigned if you wish to discuss our comments or if we can be of further assistance. For your convenience, you may direct any inquiries care of Ralf Hensel at rhensel@ific.ca.

Yours very truly,

Asociación de Administradoras de Fondos Mutuos de Chile (AAFM)
Association for Savings & Investment S.A. (ASISA)
Association Française de la Gestion financière (AFG)
Association of the Luxembourg Fund Industry (ALFI)
BVI Bundesverband Investment und Asset Management e.V. (BVI)
European Fund and Asset Management Association (EFAMA)
Hong Kong Investment Funds Association (HKIFA)
Investment Company Institute (ICI)
Investment Management Association (IMA)
Irish Funds Industry Association (IFIA)
Securities Association of China (SAC)
Swedish Investment Funds Association (SIFA)
Swiss Funds Association (SFA)
The Investment Funds Institute of Canada (IFIC)
The Investment Trusts Association, Japan (JITA)
Vereinigung Österreichischer Investmentgesellschaften (VÖIG)

Investment Management Association
ima

12 February 2010

Mohamed Ben Saleem
Senior Policy Advisor
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

Dear Mr Saleem,

IOSCO Consultation Report:
Principles on Point of Sale Disclosure

The IMA welcomes the opportunity to submit comments on this consultation report representing, as it does, the UK-based investment management industry. Our members include independent fund managers, the investment arms of retail banks, life insurers and investment banks, and the managers of occupational pension schemes. They are responsible for the management of over £3 trillion of funds, including authorised investment funds, institutional funds, private client accounts and a wide range of pooled investment vehicles. In particular, our Members represent 99% of funds under management in UK-authorised investment funds (i.e. authorised unit trusts and open-ended investment companies).

It is in their capacity as managers of regulated retail investment funds that our members have a particular interest in IOSCO's work on point of sale disclosure. IMA supports the response from the International Investment Funds Association, but has some additional points to make from UK experience.

The UK has had a comprehensive disclosure regime for the majority of retail investment products, including CIS, for over 20 years. The UK regulator is also currently conducting a retail distribution review, which proposes a widening of the scope of retail investment products to which the disclosure regime will apply. This is expected to take effect from the end of 2011.

UK CIS that can be marketed to retail investors are also subject to European legislation (the so-called UCITS III Directive), which requires, *inter alia*, that a "Simplified Prospectus" is given to the retail investor before purchase. Indeed, the UCITS IV Directive, which is due come into force in 2011, proposes a Key Information Document ("KID") to replace the SP at point of sale.

IOSCO will also be aware of the work being carried out by the European Commission on "Packaged Retail Investment Products", which proposes harmonisation of key information documents for competing, substitutable, retail investment products.

So, you will see that in the UK and Europe, retail CIS are already some of the most regulated products for point of sale disclosure and there is much work going on to develop further such disclosure documentation.

It is therefore disappointing that the Consultation Report confines itself only to CIS. There is a statement in the report that "the question of similar products may be considered at a later stage". It is our view that to level the playing field between competing products and to enable the consumer to make fair comparison of those products at point of sale, IOSCO should widen the scope of its work to include all similar, and broadly substitutable, retail investment products as soon as possible. Indeed, the principles proposed by IOSCO for disclosure of key information could apply to the whole range of retail investment products. We therefore urge IOSCO to commit to reviewing this course of action.

We broadly welcome the IOSCO Principles for Disclosure of Key Information proposed in this report but, as outlined above, we are of the view that they should be applied to all retail investment products however they are distributed to the retail customer.

The report goes on to highlight an important point that, however disclosures are mandated, they will not have the intended effect if the investor does not either read or understand the information provided. The report goes on to call upon regulators "to consider measures to help improve retail investor education in order to enhance financial literacy and ability to read investment documentation and make informed decisions".

We fully support this statement. However, we would add to it the ability to understand the investor documentation. Successive regulations have simplified product disclosure to consumers. But it has long been the case that, whilst consumers might find the document easier to read, they have lacked the financial education to understand the information disclosed to them. Policies of making such disclosure simpler and easier to read has not yet overcome the consumers' lack of ability to <u>understand</u> the product, or investment more generally.

We would welcome the opportunity to discuss the comments and recommendations contained in this response with you at any time.

Yours sincerely

Andy Maysey
Senior Adviser – Retail Distribution

IOSCO Consultation Paper

Submission deadline: 15 February 2010

Issue month: December 2009

Submitted by: ipac financial planning Singapore private limited ("ipac SG"), Singapore

Contact person: Sharon Chan, Head of Compliance, Tel: +852 2285 2656, Email: sharon.chan@ipac.com.hk

Consultation Report on Principles on Point of Sale Disclosure for CIS

Principle 1: Key information should includes disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product and the remuneration and conflicts associated with the intermediary through which the product is sold.

ipac SG:- We agree. The key information should include warnings for investors to always seek professional advice for suitability of the product.

Principle 2: Key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.

ipac SG:- We agree.

Principle 3: Key information should be delivered or made available in a manner that is appropriate for target investor.

ipac SG:- We agree.

Principle 4: Disclosure of key information should be in plain language and in a simple, accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products.

ipac SG:- We agree.

Principle 5: Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis.

ipac SG:- We agree. POS disclosures update can be updated on half yearly basis for non-material changes. Regulators should provide guidelines on "material" disclosures and also the timeline to inform investors.

Principle 6: In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed.

ipac SG:- We feel it should be product producers as they have full knowledge of their products. Intermediaries can add on further disclosures like potential conflict of interest.

Overall ipac SG comments:-

Simplified product disclosure document is required but the key point in protecting investors is to provide appropriate investment recommendations by the intermediaries. A documented recommendations and rational should be provided to clients by the intermediary. A fee-based financial planning model should be promoted to reduce the conflict of interest by selling high profit margin products.

A standard product disclosure document format should be set up for industry players. The product disclosure document should be given to the clients prior to or at the point of sale. Customer testing for the product disclosure document format should be conducted before rolling it out to the industry.

Dear Sir / Madam,

We support the proposal about Key Information Disclosure and that the document should be user-friendly, short, concise and succinct. We also believe the Key Information Document (KID) does not need to be attached physically with the Offering Document but at the point of sale, distributors should be required to provide the KID to investors. They should also be reminded that the KID should be read in conjunction with the Offering Document which is readily available on the website or in hard copy. Investors should be asked to confirm they have read through the KID and understand all details and the arrangement of Offering Document and that they do not make their investment decisions based on the KID alone.

We are also of the view that the KID to be adopted in Europe, should be deemed as acceptable for local KID purposes if the relevant Europe funds are authorized by the local regulator to be distributed to the retail public. This will improve the efficiency of funds industry as in many jurisdictions, especially the Asian jurisdictions, most offshore funds authorized by the local regulators are UCITS products. Most of the Asian regulators have working relationships with the Europe regulators. We therefore urge that the regulators should aim to develop a consistent model across different jurisdictions.

In respect of the disclosure of information on intermediary such as fees, intermediary compensation, costs and potential conflicts of interest, we support the principle but believe the requirements in different jurisdictions should be flexible to accommodate different kinds of products, distribution model as well as commercial arrangements. Disclosing monetary transaction based commission earned is workable in most cases. The initial charge is already being disclosed in either the receipt issued or the contract note in certain jurisdictions. However, disclosure of trailer fee is not possible as the distributors do not know the magnitude at the point of sale. Disclosing non-monetary benefits for intra group distribution is also impractical as they are purely internal arrangements. There are also many variables in the remuneration which make the information non-comparable across different companies and products.

As explained above, there are many practical issues to resolve in order to provide meaningful information to the investors. Further, too much disclosure of monetary and non-monetary benefits may overwhelm the investors with data and unable to distinguish the relevant information pertinent for their investment decision.

It is also not practical to issue the proposed sales disclosure document (or verbal disclosure) before every transaction on specific commission information. We suggest that generic disclosure in relation to transaction based monetary benefits at the account opening stage should suffice. We also suggest flexibilities should be allowed for disclosures to be made in the account opening document and if client request further disclosures, percentage bands or ceiling of specific commission should be disclosed.

Regards

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J.P.Morgan
Asset Management

Mr. Cliffe,

Please find as follows the contribution of the Panamanian National Securities Commission with regards to the POS Disclosure for CIS.

? **Whether regulatory disclosures are in fact effective in addressing information asymmetries that exist between investors, producers and sellers;**

The pertinent regulatory disclosures are contained in Agreement 5-2004 of July 23rd, 2004. Such rules mandate that prospectuses must include all information related to investment policies, the risk of the investment administrator and of the investment company. The prospectus must contain all information that would allow the investor to formulate a good judgment about the investment. It is a requirement that the prospectus describes all fees investors must pay before buying a share or shares, as well as information relating to the funds organizational structure (affiliated companies) and professional background of directors and principal executives.

Prior acquiring shares a prospectus must be given to a potential buyer by the investment advisor or the investment company.

- **What constitutes key information;**

Key information constitutes the following:

- Individuals such as directives and their professional background
- Main executives
- Investment risks
- Organizational structure of the fund (affiliated companies)
- Redemption policies
- NAV Calculation Procedure
- Fees paid by investors
- Investment policies

- **How information should be delivered and whether a *layered approach* should be used;**

Information is delivered through the prospectus.

- **What exactly should be understood as delivery;**

Delivery should be understood as having a good knowledge of the principal characteristics of the investment. The investor has to review the prospectus.

- **At what point in time the information should be delivered;**

  The information should be delivered to the investor prior making an investment decision. There is no charge involved with obtaining the information. The investment company or investment administrator must provide the investor with key information about the product. On the other hand, the potential investor can obtain the same information at the National Securities Commission of Panama.

- **Use of plain language rather than technical jargon; and**

  The Agreement that regulates investment companies obligates the use of plain language rather than technical jargon.

- **The format of disclosures.**

  Through the prospectus

The Proposed Principles For Disclosure of Key Information in regard to CIS Prior to the Point Of Sale are as follows:

Principle 1

Key information should include disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product and the remuneration and conflicts associated with the intermediary through which the product is sold.

Principle 2

Key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.

Principle 3

Key information should be delivered or made available in a manner that is appropriate for the target investor.

Principle 4

Disclosure of key information should be in plain language and in a simple, accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products.

Principle 5

Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis.

Principle 6

In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed.

In addition, the Report's examination of possible disclosure of key information has highlighted the following important points:

- No matter what disclosures are mandated, they will not have the intended effect if the investor either does not read and/or understand the information provided. Regulators should therefore consider measures to help improve retail investor education in order to enhance their financial literacy and ability to read investment documentation and make informed investment decisions;

  If the investor does not understand the information provided by the prospectus, the National Securities Commission recommends the use of investment advisors. The investment advisors must be registered at the National Securities Commission of Panama.

- In general, new POS disclosure requirements should not be imposed without the benefit of consumer testing or assessment to help determine the likely effectiveness of new disclosure requirements; and

  The National Securities Commission of Panama sends new requirements to users of the national securities market for review in order to know their point of view before these norms are established.

- The principles set forth in this report may also be applicable to non-retail investors.

  The principles are applicable to non-retail investors in Panama.

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Comisión Nacional de Valores
República de Panamá
Desde 1999

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Email secured by Check Point

15 February 2010

Public Comment on Principles on Point of Sale Disclosure

Securitization Forum of Japan

I. Introduction

A. The Securitization industry in Japan welcomes this IOSCO initiative and appreciates the opportunity being provided for comment in the consultation process as to Principles on Point of Sale Disclosure ("POS Disclosure").

B. We basically agree with the findings and the opinions stated in the IOSCO Consultation Report on Principles on Point of Sale Disclosure ("Report"). Therefore, we would like to highlight some additional supporting comments on the Report from the viewpoint of the characteristics of the market and its participants' trading practices in Japan's securitization market, mainly focusing on the adaptability of the desired and practical POS Disclosure regime in the Japanese market.

II. Comments on Chapter II. C (pp. 7-8)

A. As the Report points out, design techniques of the information that retail investors wish to receive is important. We believe that more tables and graphics will help investors to better understand the information although we recognize that there may be a counter opinion stating that mere tables and graphics do not deliver investment product information with complete legal accuracy and that such demerit should be carefully avoided. We still believe, however, that the tables and graphics would be more valuable where they facilitate the retail investors understanding of the outline or key characteristics of the product in a short time, probably contributing to investor base expansion. This merit would soon outweigh the demerit. Therefore, it is desirable that this disclosing practice be widely accepted in the market with regulators supporting it effectively.

B. In addition, we should pay attention to the comparability of the information among other types of financial products, just like the issue discussed in chapter IV. In the Report, it would be convenient to have a guideline which sets forth the minimum standard format for tables and graphics; in this way, retail investors could identify and analyze the risk of different products by comparing respective tables and graphics which are mostly the same concerning important parts.

III. Comments on Chapter III (pp. 9-10)

A. When considering the disclosure format, it would be meaningful to consider the availability of raw data behind the disclosed information. In general, it would be preferable for investors to electrically access the raw data when they analyze the product, in particular, when they gauge creditworthiness through their internal credit model with their version of stress scenarios. So, if conditions permitted, it would be desirable that raw data and other related data such as past performance on which prospectuses were based be distributed via spreadsheets so that investors could easily download the data and quickly use it in their credit analysis as necessary. As such, in the course of setting forth the POS Disclosure regime, some sort of standardized IT system that enables such download and easy periodic update should be discussed broadly in the market, as appropriate.

IV. Comments on Chapter IV (p. 12)

A. As the Report points out, it is important for effective disclosure to eliminate difficulty when comparing information among different types of financial products. If we do not have any industry standards or market prescriptions for disclosure, each prospectus and other information materials for different products would have a different format for the same content, making it difficult for investors to compare.

B. Chapter organization is also essential for better comparability. Admittedly, the detailed contents of financial product information vary according to their individual characteristics or the degree of complexity. But we hope it would be desirable that information delivered via prospectus is organized in a standardized way. We believe that standard titling of chapters/sections and items as well as their order in the prospectus would be an integral part of an effective POS Disclosure regime. Only if the regime has such standardization would retail investors wisely compare different types of financial products in a short time.

C. In this context, however, we should also consider achieving a good balance between effective standardization mentioned above and necessary flexibility which is pointed out in the Report (p. 25) regarding the disclosure requirement. Continuous conversation among market participants such as originators, product producers, investors, and regulators would be required regarding this issue.

V. Comments on Chapter V. (pp. 18-21)

A. As item B. in chapter V. points out, consistency in the disclosure requirements of both CIS and other types of financial products is a key factor when considering the stable execution of the POS Disclosure regime. In this regard, we should avoid any competitive disadvantage on the part of CIS resulting from applying strict POS Disclosure only to CIS. One possible solution is that we should apply POS Disclosure to all other types of financial products, as appropriate, which are characteristically similar to CIS. But for this application to be acceptable, POS Disclosure should be judiciously sophisticated in terms of design technique, data availability, and delivery system so that investors could benefit from the regime's effectiveness when making any investment decision.

B. Cost/benefit analysis is essential for introducing successful POS Disclosure. We strongly believe that, just as mentioned in the Report (p. 20), POS Disclosure should be associated with cost reduction effect for financing cost on the CIS producer's part. Under POS Disclosure, CIS producers fairly expect that, thanks to the disclosure, they could raise money at a lower cost than they can now. As such, they expect reasonable "downward pressure on prices" of CIS under the disclosure. Unless a clear and reasonable effect in terms of financing costs is observed, CIS producers would feel that such a regime is rather costly and ineffective in addressing information asymmetries.

C. As is the case in other jurisdictions, it may be difficult in Japan to exercise cost/benefit analysis of POS Disclosure. The reason is that the degree of benefit would vary depending upon the degree of retail investor sophistication. The POS Disclosure regime would need constant improvement according to investors' proficiency in reading and understanding of the information, as well as handling the related data provided under the regime.

VI. Concluding Remarks

A. With regard to POS Disclosure, as the Report adequately mentions, rule-making based on (i) the individual features of the CIS, (ii) its competitive environment with other products, and (iii) the usability of information for investors is essential. We should continue to examine cost-effective as well as user-friendly measures for implementing POS Disclosure.

B. Without such due process of introducing a POS Disclosure regime, we are afraid that CIS producers would steer clear of CIS to avoid any excessive burden for the disclosure requirements, and investors would only make poor investment decisions due to an ineffective and disorganized regime with varying disclosure styles among different products. Consequently, both of them would leave current information asymmetries unchanged and lead to further market stagnation.

End of document.

Schroder Investment Management Limited
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By e mail
International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
Spain

12 February 2010

Dear Sirs

Proposed Principles on Point of Sale Disclosure

Schroders is an independent asset management house. We are a global provider of investment services with US222 billion under management operating from 32 offices in 25 countries[1]. We provide a wide variety of services from private banking, venture capital and bespoke investment solutions, to hedge funds, hedge funds of funds, property funds. UCITS and other nationally regulated collective investment schemes and investment trusts. We welcome the opportunity to respond to the Consultation Report on Principles of Point of Sale Disclosure.

As a member of EFAMA, we support their response to you and urge IOSCO to seek a level playing field, by encouraging its sister organisations (BCBS and IAIS) to adopt the same principles of product disclosure and liabilities imposed on the product providers and/intermediaries for CIS to other investment products sold to retail investors.

We have the following comments on the proposed principles:

PRINCIPLE 1 – Key information should include disclosures that inform the investor of the fundamental benefits, risks, terms and costs of the product and the remuneration and conflicts associated with the intermediary through which the product is sold.

Key information in product disclosure could include:

Risk and Reward Profile

To achieve the objective to having a disclosure document that is short, concise and easy to read, it is not possible to list all the risks of the product. We are of the view that only risks that are specific to the product should be included and potential investors should refer to the prospectus for other generic investment and investment-related risks. So we support the fact that the Principle refers to “material risks” if that is what the term is referring to.

Past Performance

Currently, some regulators do not allow for simulated returns on the basis that depending on how the scenarios are being presented there is a potential risk that investors may feel that they might have been misled if expectations are not met, despite disclaimer that these are just simulations. There is also the danger that intermediaries may focus on the expected returned to promote the fund as it would be much

[1] Figures as at 30 September 2009

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easier to sell a fund perceived to be giving higher returns than highlighting other merits like diversification, risk tolerance etc. which are not quantifiable.

So we would suggest the wording of the Principle be slightly amended to state:

"Past Performance. Where past performance is permitted or required to be shown, the information….."

Additional Information

The information on compensation that is available to investors should be more appropriately address in the prospectus. While this is useful information, it should not be key information that affects the decision of investors to invest.

The summary of tax implications on premiums and benefits should be addressed by professional tax consultants and should not form part of the Key Information document which product providers/intermediaries are legally liable for. So we support a general statement that taxation may vary depending on the investor's domicile and personal circumstances and relevant advice needs to be sought.

Key information in intermediary disclosure could include:

Schroders, like many CIS providers, has moved to an intermediated distribution model, meaning that we generally do not sell to investors directly. So, the key information relating to the intermediary should be prepared by the intermediary and not be part of the product disclosure by the product provider. The reason is that different intermediaries are compensated differently and intermediaries would be in a better position to determine if there are any potential conflicts of interest when promoting certain funds over others. Having them disclosed separately either in document form or otherwise will also make it easy to identify the responsibilities and liabilities of product providers vs. intermediaries.

We support IOSCO's flexible approach to implementation in this area which allows separate intermediary focussed disclosure as well as product disclosure.

PRINCIPLE 2 – Key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.

We are of the view that this proposal is most appropriately addressed by intermediaries in their fact-finding and "Know Your Customer" phase of the sale and should be the responsibility of the intermediaries. So any delivery obligations of product specific material that is distributed through intermediaries should be ensured by delivery of the relevant document to the intermediary who would then be responsible for delivery to the end investor.

PRINCIPLE 3 – Key information should be delivered or made available in a manner that is appropriate for the target investor.

No comments.

PRINCIPLE 4 – Disclosure of key information should be in plain language and in a simple, accessible and comparable format to facilitate a meaningful comparison of information disclosed for competing products.

While there may be attempts to replace words and diagrams and charts, there is the issue of the length of the document. The question is whether we should have a concise document or one which is easy for investors to understand and could be 10 pages long (required if product producers are required to explain in layman's terms investment concepts and approach). This problem could be further compounded if the product is more complicated that a plain vanilla equity or fixed income product.

The purpose of the key information document is to ensure that all pertinent information of the product is listed down for potential investors to consider. However, given that client profiles, investment objectives and appetites differ, it is not possible for a generic product disclosure document to take into consideration the "needs and abilities of the target investors". This should be dealt with separately by the intermediaries as part of the fact finding and selling process.

Regulators need to be aware of the limitations of such a document. If, for example, a product provider sells directly by way of a direct offer advertisement, it would seem reasonable to assume the key information provided would meet any advertising disclosure requirements (i.e. be fair, clear and not misleading). But when a fund is sold via an intermediary, the document will generally be provided late in the process after the adviser has carried out suitable test and is ready to recommend the product. In such cases, the document may be less relevant.

Furthermore, to give financial institutions confidence to give short, concise and easy to read summaries for the investor, it is important that the disclosure document be considered a separate document from a product prospectus (as it can never replace the product prospectus), and the product provider should not be subjected to legal or regulatory sanctions with regard to the content of the key investor information unless the information provided is misleading or inconsistent with the full prospectus.

PRINCIPLE 5 – Key information disclosures should be clear, accurate and not misleading to the target investor. Disclosures should be updated on a regular basis.

Updates suggested for past performance. Currently, in terms of marketing materials, the local standards set by some of our regulators stipulated that the information for marketing materials should not be more than 3 months. However, the requirement for the prospectus is 1 year and the prospectus is required to be re-filed on a yearly basis. For the Key Information Document, which is intended to supplement information in the prospectus, we are of the view that they should follow the requirement of the prospectus as long as the date of the information is clearly stated on the document. To update the document more frequently than on a yearly basis (in the absence of material changes of the fund), will have significant impact on the product producers' resources. In addition, the cost (not limited to monetary) involved in updating and reprinting the document regularly is very high. There is also a need to discard unused documents, which may be a waste of resources.

PRINCIPLE 6 – In deciding what key information disclosure to impose on intermediaries and product producers, regulators should consider who has control over the information that is to be disclosed.

We would agree. As per our response to Principle 1, we are of the view that the information to be disclosed by product providers should be separated from intermediary disclosures. In this way, it will be clearer in terms of responsibilities and liabilities and neither party would be able to make changes to the document produced by each other which could materially alter the key information disclosed. Another consideration is the extent of the charges that should be disclosed, as the trailer rebates given by the product providers to the intermediaries are based on negotiations and will be commercially sensitive. One

suggestion would be for the disclosure by the intermediary to be provided by way of a range of fee rebates rather than the specific quantum.

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Attention: International Organization of Securities Commissions (IOSCO)

We support all the principles suggested by the committee. We believe providing clients with easily digested information will assist them greatly in making well informed investment decisions.

The measures suggested by the technical committee of the International Organization of Securities Commission are positive moves. We have no doubt that these measures will provide clients with clearer and easier read on the mechanics of investment instrument they are investing in.

Our firm would have no problems in the implementations.

Financial Literacy

We would like to add that on a macro level, 'Financial Literacy' of the public should be raised. Such financial education should be championed by the government on a national level. For example, Monetary Authority of Singapore has an educational arm, MoneySense, which conduct national financial education programs.
All stakeholders such as banks, insurance companies, fund managers, financial advisers, etc should also do their part in such financial education programs.

Financial education should start early and be introduced in the schools as a non-examinable additional subject. Start the education process to the public early and the level of financial literacy will increase over time.

Best Regards,

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We are referred by the Monetary Authority of Singapore to offer our comments on the International Organisation of Securities Commission's consultation report, "Principles on Point of Sale Disclosure" .

We have examined the document and reckoned that the six principles relating to product disclosure requirement presented in the document are key ingredients to protect investors from ill-suited financial products. Product description in simple language will facilitate better understanding on the benefits, risks and other terms. Doing away misleading terms, which give false perception of the product and risk knowledge, is an essential safeguard .

However, mandatory disclosure requirement may not be enough to achieve the optimum objective. This is largely due to a wide diversity of investor background, experience and other factors. Investors are unlikely to have the same level of understanding on the knowledge for even the similar product. Perhaps, additional efforts at the point of sale may be considered to further assist investors in making better investment decisions and we suggest the following two measures.

1. The offering of gifts, in whatever form, at the point of sale should be prohibited in order not to distract investors' attention and focus from the product specification and related risks.

2. An independent third party be commissioned to give its views and explanations in simple language the benefits, risk and other relevant facts of the product, whenever it is being launched.

Finally, investors should realise that expenses arising from mandatory disclosure requirement and measures to enhance product knowledge will inherently reduce investment returns. The trade-off is inevitable and necessary to help and protect investors from ill-suited financial products.

We hope you will find the above comments useful and relevant.

Regards,

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February 16, 2010

International Organization of Securities Commissions (IOSCO)
Calle Oquendo 12
28006 Madrid
ESPAÑA

Dear Sir/Madame:

Re: IOSCO Technical Committee's consultation report on 'Principles on Point of Sale Disclosure'

We are pleased to provide VAULT Solutions' comments regarding IOSCO's consultation report on 'Principles on Point of Sale Disclosure'.

VAULT Solutions is a dynamic technology firm focused on creating and servicing customer facing technology solutions for the financial services industry. For the past ten years our team has worked with the mutual fund industry in Canada, creating outstanding online user experiences for dealers, manufacturers and investors alike. As active participants in the construction of point of sale (POS) solutions for the investment industry we have carefully followed the evolution of this Canadian Rule from its inception and continue to refine our POS solution to meet the needs of both manufacturers and dealers within the proposed Rule as it has been drafted and commented on.

Recognizing that the concerns raised by Canadian regulators are symptomatic of international concerns regarding capital markets transparency and disclosure of information to retail investors, we submit our comments for your information.

As neither an investment dealer nor manufacturer, we are in a somewhat objective position to comment on regulators' request for comment on issues concerning appropriate levels of disclosure, frequency of update or particular filing compliance; however, as it relates to potential implementation and operational approaches to POS we have the following comments:

In our discussions with affected parties, no one disputes the benefits of the proposed fund facts document in Canada as a plain, 2-page disclosure document that will help improve financial literacy amongst investors. Few investment

professionals around the world would dispute the benefits to both retail investors and financial advisors alike, in improving financial literacy amongst investors. While debate exists concerning the amount of information, the treatment of fund series/classes in the document and the challenges associated with document delivery, most stakeholders agree that an abbreviated, plain language (e.g. language understood at a grade 6 level education is the Canadian regulators' proposal) document is sound. We agree that a short, plain and common template will address many of regulators' objectives.

Some stakeholders question the nature or even existence of the "problem" the regulators seek to address, given the positive customer satisfaction scores cited in Canadian and international research within the advice-oriented wealth management industry. While investors may not articulately express a need for greater involvement or understanding of their investment choices, we believe that due to the importance and magnitude of the investment decision relative to other purchases for most retail investors, that they should be given the opportunity to understand their choices at or prior to the point of sale. Delivery of the fund facts after the trade, made accessible to investors without express attention drawn to the document by advisors, or otherwise deferred by advisor or investor choices, only dilute the principles and objectives tabled by regulators in Canada and abroad.

Concerns have been raised about the cost of implementing a POS Rule such as that tabled in the Canadian Securities Administrators' June 19, 2009 draft Rule entitled 'Implementation of Point of Sale Disclosure for Mutual Funds'. In order to better understand the cost burden of the Rule, an allocation of the respective cost areas is required. Costs associated with implementing the POS solution can be largely broken down into the *document production* (i.e. creation, update, filing, and management of fund facts) and the *document delivery* (i.e. eligibility workflow, receipting, and dealer compliance).

***Document Production*:** It is our observation that in Canada and elsewhere, the fund facts production may represent an opportunity for manufacturers to gain some efficiency in the manner with which they update and inform customers through the replacement of the simplified prospectus and potentially more automated production and authorization protocols towards producing and filing fund facts documents for investors. Moreover, orienting the manufacturers towards digital production as a more expeditious means of delivery may reduce print, distribution and environmental costs over the longer term. Regulators might consider waiving the simplified prospectus requirement with trade confirmations for an organization that complies early with the fund facts POS requirement. Whereas the Canadian industry is seeking ways to offset the perceived

implementation costs of fund facts, this would in large part improve the business case for fund facts production.

***Document Delivery*:** In terms of fund facts delivery, a series of options exist in determining the level of business logic a dealer is obliged to embrace within its internal systems as well as the number of permutations of delivery required to satisfy any proposed Rule. In the final analysis, refinement and consensus of what will constitute compliance in regards to delivery is required to properly establish the cost associated with implementation. It is not clear what, if any, efficiencies may be surfaced in this regard; however, costs could be contained through outsourcing of the delivery obligation outside existing dealer systems and the minimization of integration into back office protocols for the purposes of compliance.

We are confident that with continued consultation and a graduated implementation process, any POS Rule can provide efficiencies to the manufacturers and dealers in facilitating clear and concise communication to investors while improving the level of disclosure to investors for both mutual funds and in the future, other forms of investment products available to the public through professional advisors.

While this additional delivery obligation falls to the professional advisors to facilitate, it is our contention that both manufacturers and dealers alike must collaborate effectively to ensure an efficient production, fulfillment and compliance outcome for any POS Rule to be achieved. VAULT Solutions looks forward to being an active facilitator of this collaboration using its deep industry experience and willingness to establish new business frameworks that benefit manufacturers, dealers and investors alike.

Sincerely,

VAULT Solutions Inc.

By: Anthony Boright, President