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October 19, 2009

British Columbia Securities Commission
Alberta Securities Commission
Saskatchewan Financial Services Commission
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
New Brunswick Securities Commission
Registrar of Securities, Prince Edward Island
Nova Scotia Securities Commission
Superintendent of Securities, Newfoundland and Labrador
Registrar of Securities, Northwest Territories
Superintendent of Securities, Yukon Territory
Registrar of Securities, Nunavut

John Stevenson, Secretary
Ontario Securities Commission
20 Queen Street West, Suite 1903, Box 55
Toronto, ON M5H 3S8

M^e Anne-Marie Beaudoin,
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22^e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

Dear Sir/Madame:

**Re: Response To CSA Notice And Request For Comment On Implementation Of
Point Of Sale Disclosure For Mutual Funds**

We are writing to provide the comments of MGI Funds Inc. (“MGI Funds”) with respect to the *Canadian Securities Administrators* (“CSA”) *Notice And Request For Comment On Implementation Of Point Of Sale Disclosure For Mutual Funds* (“the Rule”).

MGI Funds is in agreement with the submissions of the Investment Funds Institute of Canada in relation to the Rule, but we wish to add some additional feedback in response

to certain aspects of the Rule which we believe will be particularly prejudicial both to our business and to the needs of Canadian investors. In particular, we believe that 1) the requirement of the Rule that point of sale disclosures be delivered separately for each class of a fund unnecessarily complicates the disclosure of information under the Rule, 2) the costs imposed by the Rule as drafted will limit the range of investment products available in Canada and will restrict innovation in the investment marketplace, 3) that the Rule will cause regulatory arbitrage with other investment products, and 4) that the delivery of point of sale disclosure has limited benefits over the current means of prospectus delivery accompanying an investor's right to rescind his or her investment.

Issue 1: The Requirement of the Rule that Point of Sale Disclosures be Delivered Separately for Each Class of a Fund is Unnecessary

For MGI Funds, a major concern with the delivery provisions of the Rule is that they mandate separate disclosure documents for each class of a mutual fund. Each such separate disclosure document will be substantially similar but for the minor details which differentiate each class and the delivery of each separate document relating to a fund class will be logistically difficult and costly. Nonetheless, the costs associated with this delivery requirement for pre-trade disclosure documents separated by class may mean that sales of separate classes will become impractical and that mutual fund manufacturers will need to consolidate their product offerings in a way that limits the options available to investors.

Issue 2: Effects on Innovations in the Financial Marketplace and Products Available to Canadian Investors

The additional disclosure costs imposed by the Rule will limit the competitiveness of small and innovative investment products. It seems that the only practical means of complying with the point of sale information delivery requirements of the Rule will involve significant use of electronic document delivery. Yet, like many information technology solutions, we expect that the electronic delivery mechanisms contemplated by the Rule will have a high fixed cost and a very low variable cost, resulting in significant economies of scale for larger mutual fund manufacturers that create an unfair competitive disadvantage for independent mutual fund manufacturers. Electronic delivery works for large organizations but the Rule also favours mutual fund companies affiliated with banks that have a branch network that can share overhead costs and facilitation costs – their distribution channels can be in every small and large community in Canada and have on hand or electronically print out all the fund fact sheets they need for their clients from the branch. Independent mutual fund manufacturers and their distributors do not benefit from the same shared cost structure. Unless the delivery provisions of the Rule are tailored to limit the economic impact of such provisions on small mutual fund manufacturers and dealers, we expect that this could further limit the competitiveness of the mutual fund business model and the range and innovation of mutual fund products provided to Canadian investors.

Issue 3: Regulatory Arbitrage with Other Investment Products

The foregoing issues are closely connected to an additional major problem with the provisions of the Rule, which is that it creates regulatory arbitrage which will discourage the sale of mutual funds in comparison to other investment vehicles which do not require the point of sale disclosure required by the Rule. Investment products that are comparable to mutual funds and segregated funds, including exchange traded funds, principal protected notes, and wrap and managed accounts offered by investment dealers and portfolio managers are not subject to point of sale disclosure requirements and we expect that many dealers will choose alternative products and services for their clients that provide investors with diversification, professional investment management and lower administrative, facilitation and compliance costs. Indeed, even transactions in the shares of high-risk venture stock firms via brokerage, even with the benefit of significant professional advice, lack point of sale disclosure requirements, such that a sophisticated client going through an advisor to buy a balanced fund needs point of sale disclosures but the same client can be sold a high risk stock with very little disclosure, resulting in an uneven playing field for the sale of mutual funds. We believe that it is harmful to the interests of Canadian investors that the requirements of the Rule will likely push their investments out of mutual funds and into these potentially riskier, less diversified and/or more expensive vehicles for their investments, which are often available without the professional advice essential for unsophisticated investors. In addition, many investment products that are not subject to the requirements of the Rule are non-Canadian products, meaning that the Rule will also have a disproportionate impact on both the Canadian investment industry as a whole and may impair the flow of funds to Canadian industry for investment in new Canadian industrial capacity.

Issue 4: The Delivery of Point of Sale Disclosure is Unnecessary if Investors may Rescind their Investment Following the Delivery of a Prospectus

Investors continue to be able to rescind their investment in a mutual fund upon receipt and review of a prospectus. Given that this right of rescission offers investors a very strong ability to act on their review of fund disclosure, even after the point of sale, the cost of the point of sale disclosure delivery method in particular has to be weighed against the limited benefit that delivering such document to an investor before a trade will provide.

In summary, we believe that the delivery provisions of the Rule need to be revised because separate disclosures for each class of a fund are unnecessary, the costs imposed by the Rule as drafted will limit the range of investment products available in Canada and will restrict innovation in the investment marketplace, the Rule will cause regulatory arbitrage with other investment products, and the delivery of point of sale disclosure has limited benefits over the current means of prospectus delivery accompanying an investor's right to rescind his or her investment.

Thank you for providing us with an opportunity to provide comments on the Rule. If you have any questions regarding this submission, please contact me by phone at 416-933-5752 or by email at parmstrong@joviancapital.com or Adam Davis, Legal Counsel for

our parent company, Jovian Capital Corporation, by phone at 416-847-3766 or by email at adavis@joviancapital.com.

Yours very truly,

“Philip Armstrong”

Philip Armstrong
Chief Executive Officer
MGI Funds Inc.