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VIA EMAIL

September 4, 2012

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
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention: The Secretary
Ontario Securities Commission
20 Queen Street West
19th Floor, Box 55
Toronto, ON M5H 3S8

Me 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: CSA Notice and Request for Comment on *Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds* (2nd Publication)

Franklin Templeton Investments Corp. ("FTI") welcomes the opportunity to make a submission with respect to the Canadian Securities Administrators ("CSA") Notice and Request for Comment on *Implementation of Stage 2 of Point of Sale Disclosure for Mutual Funds* (the "Proposal").

FTI is a wholly owned subsidiary of Franklin Resources, Inc., a global investment organization operating as Franklin Templeton Investments. Through its subsidiaries, Franklin Templeton Investments provides global and domestic investment advisory services to the Franklin, Templeton, Bissett, Mutual Series, Franklin Templeton and Quotential funds and institutional accounts. In Canada, FTI has more than 600 employees providing services to nearly 800,000 unitholder accounts and over 100 pension funds, foundations and other institutional investors.

FTI supports the CSA's attempt to provide investors with disclosure in a simple, accessible and comparable format and appreciates that the CSA has taken into consideration some of the comments received on the first publication of the Proposal. However, we do have some concerns with the Proposal, which are set out below. FTI also supports the submissions of the Investment Funds Institute of Canada ("IFIC") in its comment letter with respect to the Proposal.

A. General Comments

We agree with IFIC's submissions with respect to the need to: (i) achieve consistent and comparable disclosure across all market participants offering products similar to mutual funds; and (ii) promote a level regulatory playing field. We therefore recommend that similar disclosure requirements be implemented for other investment products like exchange traded funds, closed end funds, and hedge funds before the CSA proceeds with a second round of changes to Fund Facts, and that any proposed changes to the form and content of Fund Facts be harmonized with changes to segregated funds disclosure. In addition, we believe that the combination of the various changes in the Proposal, when viewed on a holistic basis, create an unwarranted impression that mutual funds are a very risky investment. Furthermore, many of the proposed changes require that additional data be added to the Fund Facts. In our view, these additions make the Fund Facts longer and more complicated, which is inconsistent with the CSA's original intent of providing investors with key information about a fund in a simple, accessible and comparable format.

Nevertheless, if the CSA decides to move forward with the Proposal, we have the following specific comments.

B. Binding

We support changes to the Proposal that allow Fund Facts to be bound with account application documents, registered tax plan documents and transaction confirmations. We appreciate the increased flexibility provided by these changes.

C. Fund Facts

1. Quick Facts

We welcome the addition of the "Date series started" row to the "Quick facts" section of the Fund Facts. This change corrects the potentially misleading or confusing date information that is currently mandated in the Fund Facts. However, we recommend that the Proposal make the

addition of this information mandatory even where the fund and series started on the same date. As currently drafted, the "Date series started" row would only be added to the Fund Facts for some series and not others, which makes the management of Fund Facts templates more complicated.

We do not support adding the relative size of the series to the "Quick facts" section. We believe that the addition of this information is of limited utility to investors and only serves to add an additional data-specific element to the Fund Facts. The addition of data-specific elements to the Fund Facts poses operational challenges and increases the costs associated with producing Fund Facts. These costs are ultimately borne by investors. For these reasons, we urge the CSA to remove the addition of the relative size of the series from the final rule.

2. Risks

The Proposal proposes several changes to risk disclosure in the Fund Facts. We have a number of concerns with these changes.

In response to Item #1 of the CSA's Feedback Sought, we do not believe that the proposed explanatory text is compatible with a risk rating methodology based on standard deviation. Standard deviation is a measure of performance variability (the level of fluctuations in annual returns), not loss. To state that a lower rating means lower risk and lower returns with a lower chance of losses is potentially misleading. In addition, the proposed explanatory text with its references to losses is unduly alarming, particularly when viewed in the context of the other proposed changes in the Proposal such as disclosure of the mutual fund's worst quarterly return. Moreover, the proposed explanatory text does not provide investors with any context. It should specify as to when an investor may experience "large changes in value" and acknowledge that all market investments entail risk, not just mutual funds. We encourage the CSA to remove the requirement to include the proposed explanatory text from the final rule.

In response to Item #2 of the CSA's Feedback Sought, we believe that the proposed inclusion of a mutual fund's main risks, without narrative descriptions, will not assist investors in better understanding the risks associated with investing in the mutual fund. In fact, we believe that doing so could be misleading, given that different funds use the same terminology but with different meanings. Considering the Proposal's proposed requirements, it would be very difficult, if not impossible, to include short, simple and plain language narrative descriptions of each risk factor in the Fund Facts without substantially increasing their page count.

Other jurisdictions, such as the United States, Europe, Hong Kong and Singapore, have included narrative descriptions of main risks in their Fund Facts equivalent disclosure documents (the Summary Prospectus, Key Investor Information document ("KIID"), Product Key Facts ("KFS") and Product Highlights Sheet ("PHS"), respectively). However, the information currently required in the Fund Facts or proposed in the Proposal is far more extensive than that required in the KIID, KFS and PHS. For example, none of these documents require the disclosure of a mutual fund's top 10 investments or investment mix. Neither the KFS nor the PHS requires disclosure of past performance. The KIID requires disclosure of a mutual fund's past performance but only on a year-by-year basis; it does not require the disclosure of worst return

nor average return. The Summary Prospectus has more extensive performance reporting requirements than the KIID, KFS and PHS but it is also permitted to contain more pages than the Fund Facts.

Given these concerns, we recommend that the CSA maintain the approach currently taken in the Fund Facts of referring investors to a mutual fund's simplified prospectus for a description of its specific risks. Nevertheless, if the CSA wishes to include narrative descriptions of a mutual fund's main risks in Fund Facts, we recommend that, in the final rule, it consider paring down the other information currently required to be disclosed.

We also agree with IFIC's position that it would be prudent to have the benefit of the Autorité des Marchés Financiers' ("AMF") research findings with respect to the means by which risks are communicated to investors before introducing changes to the risk disclosure in Fund Facts. In that regard, we urge the AMF to review the approaches on risk disclosure taken by regulators outside of Canada. As a global investment organization, FTI would appreciate the CSA adopting an approach to risk disclosure that is consistent with those of other jurisdictions in which FTI operates.

3. Past Performance

a. Comparison to Guaranteed Investment Certificate

We disagree with the addition of a comparison of the mutual fund's performance with a one-year GIC for a number of reasons. Firstly, a one-year GIC is a short-term deposit instrument; therefore, it is not comparable to most mutual funds, which have long-term investment objectives. Secondly, the Proposal proposes using the Bank of Canada GIC rate, which is a nominal rate. Actual GIC rates range depending on the terms of the issuing financial institution. Thirdly, the Proposal does not require the disclosure of the risks, costs and fees associated with GICs. GICs are subject to inflation risk and interest rate adjustment penalties. Also, GICs are usually not redeemable on demand (without penalty).

We understand that the CSA has included this comparison in the Proposal in order to highlight the risks of investing in a mutual fund when compared to a risk-free investment. However, if the Proposal does not require disclosure that explains why the mutual fund's performance is being compared to a GIC, investors may not appreciate the trade-offs between investing in GICs (and the risk of not generating enough income to enable retirement or save enough to fund post-secondary education), and investing in mutual funds. For the foregoing reasons, we recommend that the CSA remove from the final rule the requirement to include a comparison of the mutual fund's performance with a one-year GIC.

b. Worst Return

We strongly disagree with the addition of the worst three month return to the performance section of the Fund Facts. We do not believe that this disclosure is fair and balanced in that it overly emphasizes negative short-term performance and does not adequately address the potential for positive long-term performance. Most mutual funds are long-term investments.

Disclosure of a mutual fund's worst three month return in the Fund Facts might encourage investors to make decisions based on extremely short-term performance, potentially to their detriment. In addition, given that the data must be provided for the worst three month period since inception, it may be difficult to obtain this information for mutual funds with a long performance history.

As mentioned by IFIC in its comment letter, the chart of historical annual returns already discloses a mutual fund's worst calendar year return, informs investors about the potential for loss and shows them that market investments may behave in a volatile manner. Accordingly, we urge the CSA to remove the requirement to include the worst three month return from the final rule.

4. Trailing Commission

We disagree with the addition of conflict of interest language in the "Trailing commission" subsection of the Fund Facts. We agree with IFIC that the proposed language is unduly prejudicial to mutual funds and has no place in a disclosure document since it would improperly bias the investor's view of the product. We recommend that the CSA remove the conflict of interest language from the final rule.

5. Disclosure of Material Changes

We endorse changes in the Proposal that permit a mutual fund to disclose material changes and proposed fundamental changes in its Fund Facts. However, as mentioned above, to produce Fund Facts in an efficient manner, templates are used extensively. Making changes to document templates for infrequent, one-off events can be onerous and expensive. Accordingly, we recommend that the final rule permit the disclosure of a material change or proposed fundamental change in the existing white space at the top of the Fund Facts rather than requiring that the most relevant section of the Fund Facts be revised. This would have the added benefit of drawing extra attention to this important information.

6. Extension of Time Frame for Information Disclosed in the Fund Facts

We appreciate that the Proposal has extended the time frame for certain information disclosed in the Fund Facts from 30 days to 45 days. However, this extension is not as helpful as it could be given that financial data is generally calculated for month-end periods only. Calculating financial data for periods other than month-end would require significant and expensive systems changes on the part of mutual fund managers. Accordingly, and given the data-intensive nature of certain proposed amendments, we believe that the CSA should extend the time frame further to 60 days in the final rule. A 60 day time frame is also consistent with those for other disclosure documents that present financial and/or performance data such as management reports of fund performance and financial statements.

7. "Fund" v. "Series"

In order to assist clarity and understanding, we encourage the CSA to revise the drafting of the Proposal and the wording in the CSA's Fund Facts template (the "Template") such that where data or information is in reference to a particular series, the term "series" is used and where it is in reference to the fund, the term "fund" is used. For example, the data/information in the "How has the fund performed?", "Sales charges", and "Fund expenses" sections and sub-sections of the Fund Facts are series-specific yet the Proposal and the Template use the term "fund".

D. Transition Period

In response to Item #4 of the CSA's Feedback Sought, we do not believe that a six month transition period is sufficient to allow for both the implementation of systems to facilitate the delivery of Fund Facts and necessary changes to be made to the Fund Facts template. The CSA has stated in the Proposal that it expects that "systems development to contemplate delivery of Fund Facts will begin now". We respectfully submit that such an expectation is unrealistic since the Proposal has not yet been finalized. In our view, given the number and scope of the changes proposed in the Proposal, a transition period of at least 12 months from the effective date of the Proposal would be more appropriate. Alternatively, the CSA may wish to consider two separate transition periods – one for delivery of the Fund Facts and the other for changes to the Fund Facts template.

We also urge the CSA to allow Fund Facts for existing mutual funds to be amended to comply with the new requirements at the earlier of an amendment to the mutual fund or the filing of its pro forma prospectus, rather than prior to the expiry of the transition period. This approach would lessen the administrative burden of implementing the Proposal as well as lessen the costs ultimately borne by investors.

Thank you for your consideration of this submission. Please feel free to contact my colleague Ariane Farrell at 416.957.6089 or me at 416.957.6010 should you have any questions or wish to discuss our submission.

Yours truly,

FRANKLIN TEMPLETON INVESTMENTS CORP.



Brad Beuttenmiller
Senior Associate General Counsel