

BY EMAIL: [baselcommittee@bis.org](mailto:baselcommittee@bis.org)

October 18, 2013

THE JOINT FORUM:  
BASEL COMMITTEE ON BANKING SUPERVISION  
INTERNATIONAL ORGANIZATION OF SECURITIES COMMISSIONS  
INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

**Attention:**

The Joint Forum  
C/O Bank for International Settlements  
CH-4002 Basel, Switzerland

Dear Sir/Madame:

**Re: Point of Sale disclosure in the insurance, banking and securities sectors  
consultative document issued for comment August 2013**

We are pleased to provide InvestorPOS' comments to the Bank for International Settlements' *Point of Sale disclosure in the insurance, banking and securities sectors* consultative document published in August 2013.

InvestorPOS is an affiliate member of the Investment Funds Institute of Canada (IFIC) and participates in IFIC's Point of Sale Advisory Task Force. As a solutions provider for the investment funds, securities and insurance industries, our comments reflect both the business and technical implications of the Joint Forum's recommendations.

We agree with the eight recommendations outlined in the Joint Forum's consultative document. We have spent years developing solutions primarily for asset managers and distributors affected by the Point of Sale regulation in the mutual fund industry and recognize the inequity between industry verticals and political jurisdictions. This so called "product arbitrage" that results from individual product groups that are singled out by regulators is real and could be offset by better coordination between policymakers. That said, policymakers must start somewhere and in the absence of a certain level of cooperation, the risk is that no practical policies are developed to help educate and protect the investor in any sector. Where coordination is feasible within a reasonable timeframe it should be pursued; however, where this level of coordination proves difficult (e.g. as in Canada's POS regime where we have no national regulator as yet and instead rely on many provincial jurisdictions. Also, the different sector associations work quite autonomously and so implementation has proceeded by sector, with less alignment.), it is better to start with specific products and evolve the policy to accommodate other products in time.



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In the wake of the 2008-09 global financial crisis, it is clear that regulatory complexity and increased disclosure requirements are transforming firms and client dynamics. In fact, in Capgemini's 2013 World Wealth Report, the firm contends that the volume and pace of regulatory change is the single largest challenge facing wealth-management firms today. Other firms in the banking, insurance and securities sectors are being affected similarly.

Increased regulation is causing shifts in the wealth-management industry, with increased consolidation resulting from firms struggling to keep up with the added costs and administration necessary to remain compliant. And although the costs of compliance related to adding more people, more documentation and more technology are substantial, the costs of non-compliance — including penalties, legal or reputational — can be worse.

The Canadian experience may be illustrative to the Joint Forum. In our estimation as an outsourced solution provider, the greatest barrier to implementing the Joint Forum's recommendations is industry's *resistance to change*. Sometimes; however, change can be good. But not all organizations, nor individuals like to change, especially in situations in which change involves new processes. It has been ten years since the Joint Forum in Canada first tabled its *Rethinking Point of Sale Disclosure for Segregated Funds and Mutual Funds* consultation paper in February 2003. In June 2013 the final Stage 2 rule was announced and by June 13, 2014, the POS regulation will require that dealers and their advisors deliver the new two-page Fund Facts document to investors after the mutual fund purchase instead of the prospectus. Sometime after that — the Canadian Securities Administrators have re-stated their commitment to Stage 3, but without assigning a timeline — advisors will have to start delivering the document at the same time or prior to the investor's purchase. This represents a greater challenge to the sales process as there are more than 25,000 Fund Facts documents for the advisor to choose from, so this becomes a potential sales disruption.

However, wealth-management firms and advisors that use POS regulation and the new regulatory landscape as a catalyst to tie information technology investments to more holistic improvements will be in a position to gain in this challenging environment. The benefits to dealers and their advisors who embrace the new disclosure regulation are many, including:

- Improved communication and greater transparency with investors
- Higher financial literacy levels
- Stronger client relationships
- Cost savings

Dealers and advisors that look at such POS disclosure events as an opportunity to improve communication with clients will benefit. The Fund Facts is a new document for clients and represents an opportunity to start a new conversation. Explain the benefits of the mutual fund in simple terms; confirm the fund's suitability; gain express consent

from the client and migrate them from the print to the electronic channel as a more sustainable and cost-effective medium.

There is also the cost benefit to dealers and manufacturers as they move to the shorter Fund Facts document. A two-page Fund Facts document costs less to print and mail than a 28-page prospectus. Although the relative difference in print costs for the reduced page count may be insignificant, the postage savings are substantial. In our estimation, the savings to dealers delivering the printed Fund Facts in lieu of the prospectus is about 60%. And firms that can migrate their clients from the printed prospectus to a Fund Facts presented electronically could see cost savings of more than 90%.

Generally speaking, well-informed clients are good clients, as they know what they want, don't waste an advisor's time and recognize the value of what they're being sold. Firms and advisors who respond to the evolving POS disclosure landscape will distinguish themselves in a new world in which fiduciary responsibility is increasingly expected.

Thank you very much for the opportunity to comment. If you would like to discuss these or any other points further, please contact me at [aboright@investorpos.com](mailto:aboright@investorpos.com) or 416-361-9944 (ext. 21).

Sincerely,

A handwritten signature in black ink, appearing to read "ABoright". The signature is stylized and cursive.

Anthony Boright  
President  
InvestorPOS Inc.