



Insight

DEALER MAIN OFFICE SERVICES

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Fund Launch – Franklin Mutual European Fund

On September 28th, Franklin Templeton launched an exciting new product, Franklin Mutual European Fund.

The Franklin Mutual European Fund seeks long-term capital appreciation by investing primarily in the equity and debt securities of companies incorporated or having their principal activities in Europe.

Reasons to Invest:

- **Uncovering Attractive Opportunities.** The fund takes a flexible approach to investing that focuses on identifying undervalued opportunities across Europe with upside potential as well as opportunistic investments in merger arbitrage and distressed securities situations.
- **Think and Act Like Company Owners.** The portfolio managers conduct their own rigorous proprietary research, one company at a time, so that only securities trading at a significant discount to what they believe are intrinsically worth are selected. The portfolio managers are also active in communications with company management teams in the interest of shareholders.
- **An Actively Managed European Fund.** Taking a benchmark agnostic approach to investing, the fund utilizes a bottom-up investment perspective and invests across a variety of sectors, countries and asset classes to create a diversified portfolio.

Please note that as with all our products, Franklin Templeton will take on the responsibility of ensuring that investment minimums are met. As such, no additional effort is required on your firm's end in order to monitor initial investments for this product.

Should you have any questions regarding this exciting addition to our product line-up, please don't hesitate to reach out to the Dealer Main Office Services team at **1-800-897-7280, Ext. 3000**, or email at dealerservicesadmin@franklintempleton.ca.

Regulatory Updates:

The Changing Landscape of Client Reporting

CRM2 has reshaped the way that the Canadian mutual fund industry communicates with clients. Starting next year, dealers will no longer be able to rely solely on Franklin Templeton to report account information to their clients. In light of these changes, Franklin Templeton is in the process of remodeling our statements and the information therein that we communicate to clients and advisors.

Streamlining Statements Across All Product Lines:

Today, two statement formats are available, depending on which fund family our mutual clients are invested in:

- One version for holdings in our Franklin, Franklin Templeton, Franklin Mutual or Franklin Bissett Funds
- One version for holdings in our Franklin Quotential Portfolios

Effective the first quarter of 2016, a new and enhanced statement format will be made available to all clients, regardless of their underlying investments.

Paper Copies of Advisor Statements:

In 2014, Franklin Templeton mailed more than 160,000 paper statements to investment advisors. As our industry continues to shift towards a paperless environment, Franklin Templeton has been assessing the continued reliance on paper copies of advisor statements. Through this review, a number of benefits were identified in moving to online statement copies, including:

- Protecting your client's private information – each statement contains important client details; making this information available exclusively online will protect your clients' privacy
- Protecting the environment – this is an eco-friendly initiative that will reduce waste and clutter for all of our business partners

As part of this review, Franklin Templeton also solicited, and received feedback from, the advisor community, which clearly indicated that there was no longer a need for paper copies of statements to be produced.

Based on the above, **effective September 2015** (for 2015, 3rd Quarter reporting), all advisor statements are only being made available online on www.franklintempleton.ca. If your advisors are not yet registered for access to Franklin Templeton's secure website, they can become registered by contacting our Client Services team at **1-800-387-0830**.

Point of Sale – Stage 3 Is Just Around The Corner

On December 11th, 2014, the Canadian Securities Administrators released the final rule amendments on Stage 3 of the Point of Sale Disclosure for Mutual Funds initiative. Under Stage 3, dealers will be required to deliver the Fund Facts to a purchaser prior to accepting instructions for the purchase of a mutual fund. The requirement for pre-sale delivery of Fund Facts comes into effect on May 30th, 2016.

Below are some key items to note with regards to your firm's obligations for Stage 3 of this initiative:

- The delivery requirement applies to all purchases, without any distinction based on the type of mutual fund or distribution channel. As such, pre-sale delivery of the Fund Facts will apply to both full-service as well as discount brokerage accounts.
- The method for delivery of the Fund Facts can be in person or by mail, fax, or email (PDF or link to the Fund Facts document).
- The final rule allows for a limited number of exceptions to the pre-sale delivery requirement:
 - Exception where delivery is impractical
 - Exception for Pre-Authorized Chequing (PAC) plans
 - Exception for managed accounts and permitted clients

For further details on your firm's obligations, as well as the limited number of exceptions, feel free to take a look at the final rule amendments published by the CSA by clicking [here](#).

Most dealers are currently in the process of developing in-house solutions, or leveraging third-party vendors, in order to be compliant with Stage 3 requirements. We would like to remind you that Franklin Templeton's Fund Facts documents are available in the [Fund Facts repository](#) on our website and can be accessed by head office staff and advisors at any time.

Should you wish to be provided with further information on Stage 3 of Point of Sale and what it means for your business, please contact John Vlachogiannis at 416-957-6193 or Ashley Angevine at 416-957-6518.

Federal Budget 2015 – Decreased Minimum RRIF Payments

The 2015–2016 Federal Budget includes measures that have lowered RRIF minimum payments for individuals aged 71 to 94. As a result of this change, any of your clients between the age of 71 to 94 that currently hold investments in a RRIF, LIF, LRIF, RLIF or PRIF account have the following options available to them:

- 1) Receive the old unreduced minimum payment amount for 2015
 - No withholding tax will be applied to the difference between the old and new minimum payment amounts
- 2) Receive the old unreduced minimum for 2015 and re-contribute the difference between the old and new minimum payment amounts to a RRIF-type account
 - This option is only available up until February 29th, 2016
 - Contributions must be made to an individual RRIF-type account

3) Receive the new, reduced minimum payment amount only

Please note that for individuals below the age of 71, the 90-age formula still applies. For individuals aged 95 and over, the minimum payment rate continues to be 20%.

If a client would like to take advantage of the lowered minimum payment amount, one of the following is required:

- Letter of direction from the client, signed and signature guaranteed
- Letter of direction signed by the advisor
- Verbal instructions from the advisor or client to our Client Services team

If a client would like to re-contribute the difference between the old and new minimum payment amounts into a RRIF-type account, the following is required:

- Letter of direction from the client, signed and signature guaranteed and a cheque for the amount to be re-contributed

Service Tips:

EPA – Knowing When Paper is Required

The Electronic Processing Agreement allows for certain client-name transactions to be placed electronically without the need for settlement documentation to be submitted to manufacturers. It is important to remember that not all client-held trades are eligible to be settled under EPA without the need for settlement documentation. FundSERV has developed a list of EPA eligible transaction types that can be accessed by clicking [here](#):

We would also like you to be aware that there are some additional restrictions at Franklin Templeton as it relates to EPA eligibility. We have outlined these for your reference below:

- Redemptions on assigned accounts
- Redemptions on accounts with outstanding certificates
- Redemptions of a Series O or R Fund

**Remember, if documents are required, your firm will be notified in the FS file the day after placement via the Document Required Flag.

ICT Redemptions For Series O & R Funds – Always Excluded From N\$M

Franklin Templeton's Series O and R Funds are High Net Worth solutions with negotiable advisory and tiered management fee structures. Management and advisory fees for these Series

are deducted directly from clients' accounts via Program Fee transactions, which occur either on a quarterly basis, or whenever all-share redemptions are placed in a Series O or R Fund.

In order for Franklin Templeton to be able to calculate and process all Series O and R Program Fees prior to releasing the funds associated with an all-share redemption, ICT redemptions for these Series must be excluded from N\$M. As such, ICT redemption proceeds for Series O and R funds will not exchange through FundSERV; instead, a cheque will be issued and sent to the receiving institution.

Banking Information: Tell Us How We Can Improve

Franklin Templeton is in process of refining our redemption processes to make it easier for you to request an electronic fund transfer (EFT) to your clients' bank accounts. We would like to hear from you firm about how we can improve. Where are the current pain points? Are there better processes that other fund companies have put in place?

Please send your feedback to service@franklintempleton.ca or call us at **1-800-387-0830**.

Current Requirements

For your reference, we have listed the documentation we currently require in order to EFT redemption proceeds to your client's bank accounts:

- A **pre-printed void cheque** in which the client's name and address matches the account registration

OR

- A **pre-printed deposit form** from your client's bank, which must include:
 - Your client's name and address
 - A bank stamp or an authorized signature from a branch manager

If your client doesn't have pre-printed cheques—or if their cheques include an outdated address—consider instructing us to mail the redemption proceeds by cheque to your client's address. Alternatively, we can also mail or courier your client's cheque directly to your firm's or advisor's office.

For any questions regarding our current requirements for EFT requests, please call our Client Services team at **1-800-387-0830**.

If you have any questions or comments on the content of the newsletter, please contact the Dealer Main Office Services team at **1.800.897.7280 Ext. 3000**.



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