Annex C

Summary of Public Comments on Mandating a Summary Disclosure Document for Mutual Funds and its Delivery (June 18, 2015)

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Part 1 – Background

Summary of Comments

On June 18, 2015, the Canadian Securities Administrators (the CSA or we) published for comment proposed amendments (the Proposed Amendments) to National Instrument 41-101 *General Prospectus Requirements* (NI 41-101), including Form 41-101F4 *Information Required in an ETF Facts Document* (Form 41-101F4), Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements* (the Companion Policy), and related consequential amendments aimed at mandating a summary disclosure document for exchange-traded mutual funds (ETFs) and its delivery.

We thank everyone who took the time to prepare and submit comment letters. This document contains a summary of the comments we received on the Proposed Amendments and the CSA's responses. We have considered the comments received and in response to the comments, we have made some amendments (the Final Amendments) to the Proposed Amendments.

Part 2 – General Comments		
Issue	**Comments**	**Responses**
General Support	Most commenters expressed broad support for the introduction of the ETF Facts to help provide investors with access to key information about an ETF, in language they can easily understand. They were supportive of delivery of the ETF Facts to investors which will improve the consistency with which disclosure is provided to ETF investors. Many commenters also told us they were supportive of a consistent disclosure framework for conventional mutual funds and ETFs. One industry association agreed with the CSA's proposal to codify the Exemptive Relief. The commenter also expressed support for extending the new delivery obligation that will apply in respect of the ETF Facts to all dealers acting as agent of the purchaser on the buy-side of a transaction. One industry association was pleased to see that the format of the ETF Facts is similar to the Fund Facts, for consistency and comparability purposes.	We thank commenters for the feedback that was provided. We appreciate their general support for the overall goals of this initiative.
	One industry commenter expressed reservations about the ability of summary disclosure documents, such as the ETF Facts and Fund Facts, to solve the problem of investors not using	We disagree with the commenter. The CSA continue to be of the view that the Fund Facts, and eventually, the ETF Facts, benefits investors by providing key information about a fund in a

	information in a prospectus because they have trouble finding and understanding the information they need. The commenter noted that there is research showing that pre-trade delivery of a Summary Document in lieu of a prospectus merely speeds up the investment decision making process and does not necessarily improve the quality of that investment decision making. The commenter questioned why the ETF Facts and the Fund Facts are created and distributed at a significant expense without, in their opinion, the intended benefits. In contrast, another industry commenter indicated that their clients have told them that the Fund Facts makes it easier for retail investors to understand key information about the mutual funds that they are buying and provides a more user-friendly alternative to the prospectus.	language they can easily understand. From the investor testing of the Fund Facts throughout its development, and the more recent investor testing of the ETF Facts, we know that investors generally found the Fund Facts and ETF Facts to contain important information presented in easy-to-read language. Also, from time to time, industry participants have told us that investors have provided positive feedback about the Fund Facts.

Part 3 – Issue for Comment – Content of the ETF Facts		
<u>Issue</u>	**<u>Comments</u>**	**<u>Responses</u>**
1. The ETF Facts is substantially similar to the Fund Facts, except for additional information related to trading and pricing (e.g., average daily volume, number of days traded,	**Qualitative data** One commenter suggested that the CSA should concentrate on qualitative disclosure regarding factors that may impact an ETF's price and liquidity. This is likely to provide more meaningful insight for investors than the inclusion of quantitative backward looking and	In our investor testing many investors told us that "examples are better than explanations". This is consistent with our experience with investor testing conducted during earlier stages of the POS project where investors expressed a preference for quantitative information, tables or graphs rather than qualitative explanations.

market price range, net asset value range, average bid-ask spread and average premium/discount to net asset value (NAV)). We seek specific feedback on these proposed elements of the ETF Facts. In particular, please comment on the disclosure instructions for these elements as outlined in Form 41-101F4. For example, should the range of market prices exclude odd lot trades? In terms of the calculation of the average bid-ask spread, should trading days that do not have a minimum number of quotes be excluded from the calculation? We also seek feedback on whether there are alternative methods or alternative metrics that can be used to convey this information in a more meaningful way for investors.	potentially stale data. **Quantitative Data** Some commenters asked the CSA to reconsider the utility of the quantitative information in the ETF Facts. Comments on the proposed quantitative elements are summarized below. ***Average premium/discount to NAV*** A number of commenters opposed inclusion of premium/discount to NAV in the ETF Facts. Commenters noted that NAV is determined following the close of each trading day and is, therefore, a static figure while the ETF's market value fluctuates during the day along with the prices of the ETF's underlying holdings which make up the NAV. The end of day disclosure of an ETF's premium/discount to NAV would be a point in time snapshot and may not be comparable to the investor experience during the majority of the trading day. Other commenters highlighted that ETF NAVs are frequently subject to measurement	We also note that the ETF Facts provides qualitative as well as quantitative information to investors to allow them to make a more informed investment decision. While the quantitative information provided under the "Trading information" and "Pricing information" sections is more specific to the ETF described in the ETF Facts, the qualitative information provided under the "Trading ETFs" section provides more general information about trading ETFs. Our purpose in including the average premium/discount to NAV in the ETF Facts was to provide investors with a market quality metric. A wider premium/discount could be an indicator of an ETF that does not trade in an efficient manner. On this basis we were of the view that including disclosure of this metric would be useful to investors. In considering the feedback provided, however, we have decided to no longer require disclosure of this metric because there are a number of nuances that must be considered in interpreting the metric, which would be difficult to do in the context of the ETF Facts. As the commenters

	methodology variation or proprietary fair value estimation. Due to such estimation, the end of day NAV may not be comparable with observed market prices at the end of the trading day. Therefore, the comparison between the end of day market value and NAV may be misleading to investors. One commenter pointed to concerns with this metric for international and fixed income ETFs in particular. The commenter noted that premiums and discounts for international ETFs typically reflect price discovery and the ability to trade the ETF securities in real time. In particular, such ETFs can be used to express a market view on international securities even when the underlying markets are closed. Similarly, premiums or discounts for fixed income ETFs arise due to challenges relating to price discovery when valuing portfolio assets in primarily non-transparent, over the counter markets. Further, the NAV of a fixed income ETF is based on either mid or bid market prices of underlying holdings and, therefore, does not reflect the bid-ask spread that exists for these holdings. An ETF's market prices, in contrast, will reflect this bid-ask spread. This would also contribute to the difference between a fixed income ETF's market value and its NAV. Commenters emphasized the role of market makers and designated brokers in the primary market. Given the arbitrage mechanism associated with the ETFs creation and redemption	have pointed out: a) market close can be a particularly volatile period because market makers begin to balance their books which can cause wider spreads. As such, the end of day premium/discount values may not be indicative of intra-day premium/discount values, and b) end of day NAV is based on estimated fair values for a number of asset classes such as fixed income holdings, or equity holdings of international markets that are not open simultaneously as the North American markets. As such, the end of day premium/discount is partly based on estimated values rather than actual values. We acknowledge that investor document testing indicated that this metric is difficult for investors to understand and, given the nuances set out above, it may be difficult for investors to interpret correctly. More importantly, this may not be information that investors would find actionable since the premium/discount metric would not be available throughout the course of the trading day.

	process, liquidity providers have an incentive to keep market prices in line with the value of the underlying holdings and will, therefore, eliminate any sustained premiums or discounts to NAV. ***Average daily trading volume and number of days traded*** One commenter supported the inclusion of average daily volume as a useful tool for evaluating the risk of an ETF, especially as it relates to liquidity. Some commenters suggested that historical average daily trading volume and the number of trading days are backwards-facing metrics and, therefore, are not likely to inform investors about a particular ETF's current liquidity or suitability for the future. Further these backwards-facing metrics are not accurate or reliable indicators of an ETF's future liquidity or risk. A number of commenters suggested that including average daily volume and number of days traded may cause investors to favour established ETFs that have larger average trading volumes at the expense of newer ETFs. This is likely to discourage competition and product innovation in the industry.	We have decided to retain the average daily trading volume, as well as number of days traded. We find that there is high correlation between these metrics and the bid-ask spread which is a cost to investors trading in the secondary market. During quantitative investor testing we noted that, while not all investors understood what the average daily trading volume and number of days traded meant, the majority did. As such, for the less sophisticated investors, we believe these measures provide a complement to the bid-ask spread as a measure of liquidity in secondary market trading. In terms of newer ETFs being disadvantaged, we remind commenters that new funds with less than one year of history would be able to indicate in the ETF Facts that the information is not yet available. An ETF would, therefore, have a one year period following the filing of the initial ETF Facts to build up a trading track record. We are of the view that this is a sufficient time period to provide investors with some indication as to the secondary market liquidity of an ETF. We acknowledge comments from investors

		regarding timeliness of the quantitative trading information provided in the ETF Facts. As such, we have amended the ETF Facts form instructions to allow an optional cross-reference to the ETF's or fund manager's website in cases where equivalent information is provided on a more up-to-date basis. Where such a cross-reference is provided, the information on the website must be calculated using the same methodology as required for the ETF Facts.
	A number of commenters have suggested that these data points are misleading to investors as these may be interpreted to reflect the level of liquidity of an ETF. These commenters contend that the liquidity of an ETF is indicated by the liquidity of the underlying securities that comprise the ETF's portfolio, rather than secondary market turnover. In addition, ETFs, unlike other exchanged traded securities, do not have a fixed number of outstanding securities and authorized dealers can issue and redeem units of the ETF at any time to meet demand. One commenter suggested that the bid-ask spread is a more appropriate indicator of liquidity.	While we agree that higher average daily volume or number of days traded may not guarantee liquidity, these metrics have a direct correlation with smaller bid-ask spreads, which represents an implicit trading cost for investors. Higher trading volume also gives investors trading in smaller lot sizes a better chance of having their orders filled more quickly and efficiently compared to ETFs that do not trade frequently.
	One commenter suggested that a more robust metric for liquidity should be considered by reference to liquidity of underlying assets. As an example, the commenter suggested, disclosing the daily average trading volume of the five least active holdings of the ETF.	We disagree with this proposed measure as it would focus disproportionately on the least liquid holdings of an ETF, which may not be a significant component of the ETF's overall portfolio. We also believe that providing such extensive information may not be possible in a

		concise summary document and may also prove to be difficult for investors to comprehend.
	Another commenter suggested that, should the CSA retain the number of days traded, it should be expressed as a percentage rather than leaving it to investors to calculate the percentage themselves.	Our investor document testing indicated that investors comprehended this measure as an absolute figure. Therefore, we will not require that this information be disclosed as a percentage.
	Average bid-ask spread	
	A couple of commenters suggested that bid-ask spread is a technical concept that investors find difficult to understand and should, therefore, be excluded from the ETF Facts. Rather, the CSA should include a disclaimer that there can be no assurance that a liquid market will be maintained for the ETF.	While some investors had difficulty comprehending the bid-ask spread during our investor document testing, we note that most investors tended to understand the description of this measure. Furthermore, many of these investors requested that specific numeric values for this metric be provided. We are of the view that it is important for investor to consider the impact of the bid-ask spread on their overall cost of ownership when they consider their decision to purchase or sell an ETF security. Investors who are not familiar with the bid-ask spread can research this metric or have a discussion with their advisors for more information.
	Some commenters suggested that, similar to trading volume, bid-ask spread may be a misleading indicator of an ETF's liquidity, future price or suitability as an investment. A more relevant measure of liquidity is the typical bid-ask spread of the ETF's underlying holdings as compared to the quoted price of the ETF on the	We respectfully disagree with the commenters and continue to be of the view that, while not a perfect measure of liquidity, the bid-ask spread represents a good measure of secondary market liquidity and of trading costs for secondary market trading in an ETF. This is particularly important for the average retail investor who

	secondary market.	typically only transacts in secondary markets rather than through the primary market creation/redemption mechanism.
	One commenter suggested that disclosing bid-ask spread may cause investors to favour ETFs with lower price points as such ETFs will have smaller absolute spreads in cents per share. Further, this would also favour established ETFs with a more active secondary market, which could discourage new entrants or the introduction of innovative products.	We are requiring the bid-ask spread to be disclosed in percentage terms. In our view, this addresses the issue of lack of comparability of the spread between higher priced and lower priced ETFs.
	As with trading volume data, since the bid-ask spread is disclosed in respect of a 12-month period before the ETF Facts date, this information may significantly pre-date delivery of the ETF Facts to a particular investor, and may no longer be relevant or accurate.	As noted above, we now allow for the inclusion of an optional cross reference to the ETF's or fund manager's website where more up-to-date information may be provided.
	Some commenters suggested that the CSA should allow ETF manufacturers to review a sample calculation to ensure that all information necessary to satisfy the disclosure obligation is readily available, accessible and it is practical to obtain such information from third party data providers.	We have consulted with third party data providers and we are satisfied that the data required to comply with the disclosure requirements in the ETF Facts will be readily available and accessible at a reasonable cost.
	In particular, some commenters questioned at what point in time should the bid-ask spread be	We are requiring that the bid-ask spread be calculated at one second intervals starting 15 minutes after the opening of the trading day and

	calculated for a particular day given that bid-ask spreads can change throughout the day. One commenter suggested that focusing on average bid-ask spread without considering the size of trade may be misleading to investors since the bid-ask spread often increases as trade size increases. It may be more useful for investors to use a sample trade size. A number of commenters suggested that trading days that do not have a minimum number of trades should not be excluded from the calculation of the average bid-ask spread. Given that authorized participants can create or redeem units in the primary market, the number of trades is not relevant to the bid-ask spread and the liquidity of an ETF remains unaffected by days with few or no trades. Commenters also suggested that including all trading days is also consistent with the approach taken with market price and NAV data. ***Exchange*** One commenter suggested that since all ETFs are primarily listed on the TSX, this component of	ending 15 minutes before the closing of the trading day. We agree with the commenter. Therefore, we are proposing that the bid-ask spread be calculated with depth of quotes set for a $50,000 trade. We are of the view that this depth level should be sufficient to cover most retail trades. In addition, we are of the view that standardizing the depth at which the bid-ask spread is calculated will allow for more meaningful comparison across ETFs and will address the concern raise by the commenter. We are not excluding trading days on the basis of whether or not a minimum number of trades have been executed on that day. However, given that we have modified the calculation to take order book depth into consideration, it is necessary to consider circumstances where an ETF does not have sufficient order book depth to arrive at the $50,000 threshold. In order to avoid situations where the overall average bid-ask spread cannot be calculated due to isolated instances where there is insufficient order book depth, we have added some additional parameters to the calculation. We have also added language to be used in the ETF Facts to explain circumstances where an ETF cannot calculate an average bid-ask spread due to insufficient order book depth. We do not propose to make any changes to this item because not all ETFs are primarily traded on

	the Quick Facts should be deleted altogether. If the CSA decide to retain this component, the commenter suggested replacing “Exchange” with “Primary Exchange”.	the TSX. For ETFs that are listed on more than one exchange, Form 41-101F4 allows all the exchanges on which the ETF securities are listed to be disclosed.
	Dividend Reinvestment Plan (DRIP)	
	Some commenters opposed the inclusion of DRIP information under the Quick Facts section. One commenter contended that this disclosure is not required for mutual funds under Form 81-10F3 *Contents of Fund Facts Documents* (Form 81-101F3) and the disclosure frameworks for ETFs and mutual funds should be consistent. The commenters note that the Quick Facts does not require disclosure regarding other types of plans, such as systematic withdrawal plans or pre-authorized cash contribution plans and prioritizing DRIPs over these other plans has no basis. Lastly, it was noted that even when an ETF provider may not implement a DRIP directly, individual dealers may still offer this service to investors. One investor advocate suggested that this item read “DRIP eligible”.	We agree with the commenters and have decided to remove disclosure of DRIP eligibility from the ETF Facts.
	Pricing information	
	A number of commenters suggested that the range of market prices should include odd lot trades. Commenters suggested that this would	We agree with the majority of commenters and are of the view that, on balance, the benefits of including odd lot trades outweigh excluding such

	reflect the experience of retail investors who transact in smaller sizes and suggested that odd lot trades account for a significant amount of volume and contribute significantly to price discovery. Some commenters also suggested that sourcing and processing information that excludes odd lot trades would add to the complexity and cost of preparing ETF Facts.	trades.
	One commenter was in favour of excluding odd lot trades from the market price range information. The rationale presented was that odd lot trades do not impact the last sale price or closing price as they are excluded from the information displayed on orders or trades from each protected marketplace.	While it is true that odd lot trades do not impact the closing price they do impact the high and low market prices, where applicable. Therefore, we expect odd lot trades to be included when determining the market price range of the ETF.
	One commenter suggested that requiring disclosure of pricing information in the ETF Facts would not help investors make investment decisions since it is historical "after the fact" information.	As noted above, we propose to allow an optional cross references to the ETF or fund manager's website which may provide this information on an updated basis, provided that the information on the website is calculated using the same methodology as required for the ETF Facts document.
	One commenter suggested that, should the CSA retain this disclosure, it should alter the requirements for market price and net asset value. In particular, the current instructions for market price require looking at intra-day values while NAV would only look at end of day values. Given that intra-day volatility of market prices	While we acknowledge that the NAV range looks to end of day values while the market value range captures intra-day values, we do not see this as a sufficient reason for removing this disclosure requirement. While we agreed with commenters and removed the premium/discount to NAV metric from the ETF Facts, we are of the view

	tends to be higher than the day-to-day volatility of closing prices, the commenter suggested using end of day data for both data points.	that the ranges for market price and NAV should be disclosed to alert investors to the fact that there are two sets of values for ETFs.
2. The "How ETFs are priced" section of the ETF Facts is intended to provide ETF investors with some additional information on the factors that influence trading prices and to explain the difference between market price and NAV. This section has been modified in response to investor testing, which showed that investors valued this type of information but were not necessarily aware of how to use it in practice. We seek feedback on whether there is an alternative form of presentation of this information that may better assist investors.	A number of commenters responded to our specific question in regard to the "How ETFs are priced section". While some commenters agreed with the additional information provided regarding factors that influence trading prices and to explain the difference between market price and NAV, a number of commenters either completely opposed inclusion of this information or suggested recommendations to improve the language proposed. Commenters who opposed the inclusion of this information pointed to oversimplification of these factors to the point of being misleading to investors.	The ETF Facts aims to provide key information in a concise manner with a particular focus on the average retail investor. From this perspective, we think it is important to highlight some of the important factors that investors should consider when trading ETFs. As a result, we have retained the idea of including such educational information in the ETF Facts. We acknowledge some of the comments received in respect of oversimplification of certain concepts. In response to these comments we have reframed the information included in the ETF Facts. We have refocused the narrative to concentrate on trading factors that investors should consider instead of focusing on pricing elements, which is reflected in the new heading "Trading ETFs". In addition, we have included some additional concepts like types of orders, while removing others like premium/discount to NAV. As a summary disclosure document, the ETF Facts does not purport to provide an exhaustive discussion of all matters relevant to trading ETFs With the changes that have been made, however, we think we have achieved an appropriate balance between making the information accessible to the average retail investor without being misleading.

	One commenter suggested that the information provided under this section is generally helpful to investors and should be re-ordered so it appears before the risk discussion.	The order of information in the ETF Facts has been designed to correspond as closely as possible to the Fund Facts to allow for easy comparison. From this perspective, we disagree with the suggestion to reorder the presentation of information.
	Introductory sentence	
	One commenter suggested that it may not be appropriate to refer to ETFs as being "unique" given the proliferation of ETFs with varying attributes. It may be more appropriate to describe ETFs as being "different" or that they "vary" from conventional mutual funds.	In response to this comment, we have changed the introductory sentence to the "Trading ETFs" section.
	Market price	
	In regard to the discussion of market price, some commenters suggested that the statement that supply and demand affects the market price of ETFs is misleading in that, unlike traditional equity shares that have a finite number of units issued and outstanding, ETFs continually issue or redeem securities to deal with demand and supply. Commenters suggested that too much emphasis is placed on supply and demand of ETF units, and that the real drivers of the price of an ETF unit are the market and economic factors that affect the underlying portfolio. Some commenters suggested a general statement that the price of the ETF can be expected to move with the price of the underlying portfolio assets.	The ETF Facts points to a number of factors that impact the market price of an ETF. This includes demand and supply of ETF units as well as demand and supply for the underlying holdings. The ETF Facts also already makes reference to the fact that changes in the value of the ETF's underlying holdings will have an impact on the market price of an ETF. Therefore, we do not believe any further changes are necessary.

	A number of industry participants also opposed inclusion of information regarding the bid-ask spread as they felt this information was unimportant and insignificant relative to other factors such as performance and bid-ask spread of the underlying portfolio of an ETF. Some commenters suggested that readers of ETF Facts are not interested in, nor benefit from knowing more about the technical mechanisms of pricing of ETFs.	We respectfully disagree with the commenters. As noted earlier in our responses, we continue to be of the view that it is important for investor to be informed of the bid-ask spread as it is an implicit cost of investing or trading in ETFs. In some circumstances, the bid-ask spread may even be higher than the management expense ratio (MER) of the ETF. We will, therefore, retain this information in the ETF Facts.
	Commenters also questioned the inference that a smaller bid-ask spread meant that an investor is likely to get the price they expect. Suggestions for improving this disclosure ranged from complete deletion of this language to clarifying that a smaller bid-ask means there is lower opportunity trading cost in the ETF.	We respectfully disagree with the commenters. In our view, references to "opportunity cost" are likely to cause more confusion for the average retail investor than to provide clarity. As such, no references to "opportunity cost" will be required in the ETF Facts.
	Some commenters also opposed references to "liquidity" in this section. Commenters suggested that studies have indicated that investors do not understand the term. Further, "liquidity" in the context of ETF is more difficult to explain than simplistically pointing to the bid-ask spread, in particular, given the creation/redemption mechanism in the primary market. One commenter suggested that this section should discuss the impact of transaction volume on liquidity, with a particular focus on small or odd lot trades. This discussion should also emphasize that liquidity considerations come into play both	We agree with the commenters and have purposely limited any references to "liquidity" to the extent possible within a summary document. Given the space limitations, it is not possible to go into a detailed discussion of "liquidity" within the confines of a summary disclosure document at this point. While we have included some basic educational information around trading ETFs, the ETF Facts is meant to be a summary disclosure document and is not intended to be a complete guide to investing in ETFs. With regard to transaction volume, we note that it tested well with investors who understood what transaction

	at the time of purchase as well as when the ETF investment is disposed of.	volume referred to.
	NAV One commenter noted that unlike the U.S. where intraday NAV is disseminated at regular intervals throughout the trading day, Canadian ETF providers only typically produce an official NAV at the end of the day. As such, the language describing NAV and the premium/discount to NAV encourages investors to compare the intraday market price to a "stale" NAV calculated at the close of the previous day. This was not a true discount or premium to NAV at the time of transaction, and therefore, the CSA should amend the language to clarify this aspect to investors. Some commenters suggested adding language to the end of this section indicating that unitholders have the ability to subscribe for or exchange a prescribed number of units of an ETF at NAV, therefore, it is anticipated that large discounts or premiums to NAV would not be sustained. Another commenter suggested that language should be added explaining that premium and discounts may also result from changes in the value of the ETF's underlying investments that have not yet been reflected in the ETF's NAV.	After further consideration, we have decided to remove information around premium/discount to NAV. Although we are of the view that such information can be an important element to consider, we acknowledge that there are circumstances where a simplistic presentation of this metric could be misleading. Providing a nuanced explanation of the implications of premium/discount to NAV could potentially overwhelm the ETF Facts. Additionally, some of the information that one would derive from premium/discount to NAV is obtainable from the other metrics that are included in the ETF Facts.

3. Please comment on whether there are other disclosure items/topics that should be added to reflect the differences between ETFs and conventional mutual funds	A number of commenters provided suggestions for other disclosure items for inclusion in the ETF Facts. ***Order types*** One commenter noted that different order types can affect an investor's transaction price. The commenter recommended explanations of the most common order types and that investors should consider the order types before placing an ETF trade. ***Tracking error*** Some commenters suggested inclusion of information that speaks to tracking error. Commenters highlighted that an indexed ETF's performance can deviate from that of its underlying index due to a number of factors such as fees, transaction costs, taxes, portfolio sampling and timing of changes to composition of the underlying index. One commenter noted that the proposed ETF Facts only prescribes disclosure that performance may deviate due to fund expenses and that this disclosure is inadequate. The commenter suggested that under the "How risky is it?" section of the ETF Facts specific disclosure relating to "Tracking Error" should be added which highlights the various reasons why an indexed ETF's performance may deviate from that of its underlying index. Another commenter suggested that for indexed	 We have revised the disclosure to include a brief discussion of different order types. We do not propose to add benchmarking information to the ETF Facts. Previous investor testing during Stage 2 of the POS project for Fund Facts indicated that investors generally do not understand benchmarking information very well. In addition tracking error information would only be relevant to index tracking ETFs, and not for all ETFs.

	ETFs, the ETF Facts should disclose the performance of the ETF's benchmark index. An investor advocate suggested that the performance of the index also be shown for index-tracking ETFs to show tracking error.	
	Returns calculations	
	Some commenters suggested that the returns calculations should be based on market value, not NAV, since market values is what the retail investor typically looks at and experiences.	We have not adopted the suggested change to the presentation of past performance. We note that any presentation of past performance will vary from actual investor experience. Using NAV for performance measurements is consistent with the requirements for conventional mutual funds and allows for consistency across mutual fund products. Furthermore, many ETFs, or particular series or classes of ETFs, do not trade on a frequent basis and would not have up to date market prices available to calculate performance.
	Trading halts	
	One commenter suggested that during periods of unusual volatility, ETFs or their underlying securities may become subject to temporary trading halts imposed by circuit breakers. This can have adverse consequences and, as such, investors are entitled to know this information.	The halting of trading of ETF securities fall under the rules of the exchange on which the securities of an ETF are listed. As such, we do not propose requiring such disclosure in the ETF Facts. We expect that information regarding temporary trading halts would be disseminated to the market through existing communication channels.

	Dividend/distribution yield	
	Commenters suggested adding a section to the ETF Facts showing dividend yield. One commenter suggested that the ETF Facts should include a table that discloses the form of distributions for the past tax year i.e. eligible dividends, non-eligible dividends, capital gains, other income or returns of capital.	Distribution information is required to be disclosed only if distributions are a fundamental feature of the ETF. This is consistent with the Fund Facts. We do not propose to modify the requirements of this item.
	Duration & term to maturity	
	One commenter suggested inclusion of weighted average duration and term to maturity for fixed income ETFs.	We do not propose to include this information for a number of reasons. Firstly, this information would only be applicable to fixed income ETFs and not applicable to all other types of ETFs, therefore, it would not be disclosed consistently across all ETFs. Secondly, this information is not currently required to be disclosed in the Fund Facts and it is important to ensure consistency between the summary documents to the extent possible. And lastly, we are of the view that disclosing *averages* for metrics such as duration and term to maturity can mask significant differences in underlying asset attributes. Fund managers can, at their option, include disclosure addressing these attributes in the asset mix chart which can show the various maturity ranges for the funds, as an example.
	Portfolio turnover	
	One commenter suggested inclusion of portfolio turnover information as this would give the reader	We do not propose requiring such disclosure in the ETF Facts as it is not required disclosure in

	a sense of tax exposure.	the Fund Facts document. In regard to the portfolio turnover, disclosure of Trading Expense Ratio (TER) in the ETF Facts can also be used as an indicator of an ETF that undertakes a large number of transactions.
	Asset type	
	One commenter suggested specifying whether the ETF falls into the fixed income, equity or hybrid category.	The item "What does the ETF invest in?" provides disclosure of the fundamental nature of the ETF. The investment mix section would also generally show a visual breakdown of the exposure of the fund.
	Eligibility for registered plans	
	One commenter suggested indicating the eligibility for registered plans.	The ETF Facts provides general tax disclosure under the item "A word about tax". We do not propose requiring disclosure regarding the eligibility for investment in registered plans in the ETF Facts. We note that this approach is consistent with the Fund Facts.
	Active versus passive	
	A commenter noted that including the words "xyz index" in the name of a fund is not sufficient to convey to investors whether an ETF is an active fund or a passive index tracking fund. Another commenter suggested that the difference between actively managed ETFs and passively managed ETFs be explained in the ETF Facts.	Under the heading "What does the ETF invest in?", Form 41-101F4 requires a description of the fundamental nature of the ETF, or the fundamental features of the ETF that distinguish it from other ETFs. It should be clear from the disclosure provided under this heading whether an ETF is passively managed or actively managed. In this respect, we note that Item 3

		Form 41-101F4 requires disclosure of the name/names of the permitted index/indices on which the investments of the ETF are based and to briefly describe the nature of the permitted index/indices.
	Date when index created One commenter noted that while there are many well-established indices in use currently, some indices are created nearly at the same time as a given ETF meant to track that new index.	ETFs that replicate an index must disclose the name/names of the permitted index/indices on which the investments of the ETF are based under the item "What does the ETF invest in?" under Form 41-101F4. We do not consider the date when such index/indices were created to be key information that should be disclosed in the ETF Facts.
	Physical versus synthetic One commenter proposed that the ETF Facts should include an explanation of the difference between physical and synthetic ETFs. Further, for physical index tracking ETFs, a distinction should be made between full replication and sampling of an index.	The uses of derivatives to get exposure to the index/benchmark without investing directly in the securities that make up the index/benchmark would generally be viewed as a fundamental feature of the ETF that differentiates it from ETFs that use physical replication as contemplated under Item 3(2) of Part I of Form 41-101F4. As a result, the synthetic replication strategy would be required to be disclosed under "What does the ETF invest in?".

	Risks Some investor advocates proposed inclusion of relevant risk factors, in plain language, in the ETF Facts. Among other risks, these commenters suggested disclosure of tracking error risk, derivatives risk, trading and liquidity risk, counterparty risk and currency risk as important risks that needed to be highlighted.	Document testing during stage 2 of the POS project revealed that a majority of investors did not understand the specific risk factor disclosure very clearly or at all. As a result, we have included a cross reference to the Risk section of the prospectus for investors who would like more information about specific risks that affect a fund's value. This is also consistent with risk disclosure in the Fund Facts which assists in ensuring comparability between ETFs and mutual funds.

Part 4 – Issue for Comment – Anticipated Costs of Delivery of the ETF Facts		
<u>Issue</u>	**<u>Comments</u>**	**<u>Responses</u>**
4. We seek feedback on the anticipated costs of delivery of ETF Facts for those dealers who do not have Exemptive Relief and are not currently delivering ETF Facts; specifically, the anticipated one-time infrastructure costs and ongoing costs.	A couple of service providers agreed that for dealers that already deliver a Summary Document to ETF investors under the Exemptive Relief, the delivery systems are already in place and the compliance and costs in overseeing and maintaining the delivery regime should be more or less the same. Other dealers will incur one-time infrastructure costs to reprogram and update information delivery systems, as well as ongoing costs for compliance and staff to oversee and maintain the delivery regime. However, there are a number of third-party service providers with expertise in creating automated programs and	We are encouraged to hear that technological solutions that are currently being used to deliver Summary Documents in compliance with the terms of the Exemptive Relief can also be used to facilitate the delivery of the ETF Facts with minimal cost impact. We are also encouraged to hear that for dealers that do not currently have such systems in place, there are solutions available from third party service providers that should have minimal cost impact. We did not receive any comments that would

	applications for the delivery of Summary Documents and the cost impact for implementation should be minimal. Furthermore, to the extent that any of these dealers already have delivery systems in place for post-sale delivery of the Fund Facts, it may also be possible to leverage those existing systems to implement delivery of the ETF Facts. One industry commenter told us that they use a third party service provider for the delivery of the Fund Facts and assuming the costs are the same for the ETF Facts, the annual delivery costs are estimated to be $50,000. However, the commenter also noted that they do not yet have a quote for any one-time start-up or testing costs. One industry association and two industry commenters did not agree with the CSA's assertion that the delivery systems are already in place and that compliance and staff costs in overseeing and maintaining the ETF Facts delivery regime should be the same for those dealers under the Exemptive Relief. They told us that creating the delivery systems for the ETF Facts will involve considerable costs and take at least one year to execute. One of the industry commenters told us that the implementation of Stage 2 Fund Facts and the delivery of the Summary Document to ETF investors pursuant to the Exemptive Relief was costly and took between 12 to 24 months to implement. The commenters noted that if the ETF Facts delivery requirement applies to all ETF investors, and not only to those investors who are required to	cause us to question our view that the benefits of the changes to introduce the ETF Facts and to require the delivery of the ETF Facts are proportionate to the costs of making them.

	receive a trade confirmation in accordance with the Exemptive Relief, then there will be significant additional costs in modifying the delivery systems that were built to comply with the terms of the Exemptive Relief, and will result in new implementation and compliance difficulties.	

Part 5 – Issue for Comment –Transition Period		
<u>Issue</u>	**<u>Comments</u>**	**<u>Responses</u>**
5. We seek feedback from dealers on the appropriate transition period for ETF Facts delivery under the Proposed Amendments. We are specifically interested in feedback from dealers who are not subject to the Exemptive Relief. Please comment on the feasibility of implementing the delivery requirement under the Proposed Amendments within 21 months of the date the Proposed Amendments come into force. In responding, please	One industry commenter urged the CSA to have the Proposed Amendments in place as quickly as possible. One investor advocate commented that the transition period for post-sale delivery of the ETF Facts of two-years following the effective date of the Proposed Amendments seems unduly long and should not be extended. It was noted by an industry association that the development or modification of compliance systems for ETF Facts delivery is of significant importance. This will be particularly more challenging for smaller dealers who wear many hats to perform various roles. Larger dealers also have challenges in coordinating training and communication for advisors and support staff across all branches country-wide. . We were told by another industry association that	We agree that the Final Amendments should be implemented as soon as reasonably practicable. We acknowledge that implementation timelines will differ among ETF managers and dealers. We think the transition period of 9 months is reasonable and provides sufficient time for ETF managers to prepare and file the ETF Facts instead of the Summary Document, and for dealers to reprogram and update information delivery systems, and to make changes to compliance and train staff in overseeing and maintaining the delivery regime for ETF Facts. For those that have indicated that the transition period is too short, we note that third party service providers have told us that they already have technological solutions in place to facilitate the delivery of the ETF Facts.

comment on the impact a 21 month transition period might have in terms of cost, systems implications, and potential changes to current sales practices.	it took almost 18 months to implement delivery of the Summary Documents to ETF investors under the Exemptive Relief. The transition period contemplated by the Proposed Amendments may be insufficient if implementation issues arise to the extent that the delivery requirements for the ETF Facts deviate from those under the Exemptive Relief. In this respect, an industry commenter noted that separating the delivery of the ETF Facts from the delivery of the trade confirmation will require the creation of new delivery infrastructure, which will involve significant additional costs and approximately 12 to 18 months to implement. Another industry commenter told us that the ability of dealers to deliver the ETF Facts will depend on their respective service providers, which the CSA should take into consideration when determining the effective date of the ETF Facts delivery requirement. Two service providers told us that they have already developed delivery services to facilitate the delivery of the ETF Facts. These delivery services are currently used to deliver the Summary Documents required by the Exemptive Relief. One industry association asked that the effective date for the ETF Facts delivery requirement not be during RRSP season as it is a very busy period for the industry and it would be difficult to introduce new changes to clients during that time.	For those that have indicated that the transition period is too long, we think it is important to remember that Summary Documents, and eventually ETF Facts, will continue to be delivered pursuant to the terms of the Exemptive Relief prior to the delivery requirements introduced by the Amendments coming into effect. While the Final Amendments do not require the ETF Facts to be delivered with trade confirmations, they do not prevent the ETF Facts from being delivered with the trade confirmation referencing the purchase of the ETF securities. Please also see “Trade confirmation” under the “Other Comments” section of this document. In response to comments, we have chosen December 10, 2018 as the effective date of the delivery requirement for the ETF Facts. The selection of the date was intended to be responsive to the recommendation from an industry association that we select an effective

	The commenter suggested that the ideal effective date for the ETF Facts delivery requirement would be sometime during the summer months.	date for the delivery requirement of the ETF Facts that was not during RRSP season.
6. We seek feedback from ETF managers on the appropriate transition period to file the initial ETF Facts. We currently contemplate that 6 months after the date the Proposed Amendments come into force, ETF managers will be required to file an initial ETF Facts concurrently with a preliminary or pro forma prospectus for their ETFs. Please comment on the feasibility of making the changes to compliance and operational systems that are necessary to produce the ETF Facts, instead of the summary disclosure document pursuant to the Exemptive Relief, within this timeline.	One industry association expressed support for the transition period for ETF Facts filing contemplated by the Proposed Amendments. Two industry associations and one industry commenter indicated that an appropriate transition period to file the initial ETF Facts is 12 months after the date the Proposed Amendments come into force. One industry association asked that the CSA be mindful of the other CSA or non-CSA regulatory initiatives that are already underway and to coordinate the initiatives to avoid overwhelming the mutual fund industry with new requirements that take effect all at once. Three industry associations and three investor advocates recommended that the CSA align the implementation of final rules on CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts and ETF Facts (the Methodology) with the Final Amendments so that the initial ETF Facts filed reflects the CSA risk classification methodology. One industry association pointed out that if the initial ETF Facts is filed, and subsequently amended to comply with the new CSA risk classification methodology, that could potentially be disruptive	We will proceed with a 9 month transition period to file the initial ETF Facts after the Final Amendments come into force. As a result, the effective date for filing the initial ETF Facts is September 1, 2017. As the Final Amendments come into force 3 months after the publication date, ETF managers will have 12 months after the date of publication before they file their initial ETF Facts with their prospectus renewal. We acknowledge the comments we received with respect to the implementation timelines of other regulatory initiatives. We generally seek to avoid overlapping implementation dates of CSA initiatives whenever possible. Given the complimentary nature of the Methodology and the Final Amendments, however, we agree with the commenters that have suggested coordinating the timelines of these two initiatives. As a result, there will be no need to postpone implementation of the risk rating disclosure in the ETF Facts until the Methodology is implemented.

	to ETF managers and dealers in the sales process and confusing for investors. The investor advocates also suggested that if the CSA cannot align the implementation of the final rules on the CSA risk classification methodology and the ETF Facts, then the risk rating disclosure in the ETF Facts should postponed until the CSA risk classification methodology takes effect.	
7. We seek feedback from ETF managers and dealers on whether they prefer a single switch-over date for filing the initial ETF Facts rather than following the prospectus renewal cycle as currently contemplated. The CSA implemented a single switch-over date for the Stage 2 Fund Facts, and recognize that there are challenges in doing so, especially for ETF managers, from a business planning and business cycle perspective. If a single switch-over date is preferred, are there specific months or specific periods of the	Industry commenters unanimously indicated a preference for following the prospectus renewal cycle, rather than a single switch-over date, for the initial ETF Facts filing. One industry commenter asked the CSA to confirm that no blacklines will be required to be filed with the initial ETF Facts filing, which would show changes from the Summary Documents previously filed pursuant to Exemptive Relief and the initial ETF Facts.	In response to comments, the Final Amendments contemplate that the initial ETF Facts be filed for every preliminary and pro forma prospectus for an ETF that files beginning the effective date of the Final Amendments. We also confirm that blacklines will not be required to be filed with the initial ETF Facts filing to show changes made from the most recently filed Summary Documents filed.

year that should be avoided in terms of selecting a specific switch-over date? Please explain.		

Part 6 – Issue for Comment – Right of Withdrawal of Purchase		
<u>Issue</u>	**<u>Comments</u>**	**<u>Responses</u>**
8. Currently, under securities legislation, investors have a right for withdrawal of purchase within two business days after receiving the prospectus. This right only applies in respect of a distribution for which prospectus delivery is required. In the case of ETFs, today only purchases filled with Creation Units trigger a prospectus delivery requirement and are therefore subject to a withdrawal right. Consistent with the approach taken in the Exemptive Relief, the	***Right for withdrawal of purchase*** One industry commenter told us that there is no need to extend the right of withdrawal of purchase to investors for the delivery of the ETF Facts because the right of rescission for the delivery of the trade confirmation is sufficient. A couple of industry associations agreed with this view and told us that there it would not be feasible to apply such a right in a manner that would be equitable to all parties involved. They also pointed out that other securities traded on the secondary market do not have such a withdrawal right. One industry association commented that a right for withdrawal of purchase for the delivery of ETF Facts will inappropriately provide price protection to the purchaser by shifting the risk of loss to the dealer if the market price of the ETF security declines in the withdrawal period. The right of withdrawal is impractical for ETFs as the dealer can only mitigate the loss by selling the	We agree with the commenters who told us that there are practical impediments in introducing a right of withdrawal for ETF purchases made in the secondary market. We also acknowledge that a withdrawal right does not exist for other securities traded on the secondary market. We also agree that there is no feasible way to apply a right of withdrawal in a manner that is equitable for all parties involved. As was noted by one commenter, ETF investors are already provided with certain protections through other existing investor rights including rights with respect to misrepresentation in a prospectus, civil liability for misrepresentation for secondary market disclosure and a right of rescission tied to delivery of the trade confirmation.

Proposed Amendments do not extend the right of withdrawal of purchase to investors for the delivery of the ETF Facts. In some jurisdictions, investors will continue to have a right of rescission with delivery of the trade confirmation.[1] We seek feedback on this proposed approach. Specifically, please highlight if any practical impediments exist to introducing a right of withdrawal for purchases made in the secondary market in connection with delivery of the ETF Facts, should we decide to pursue this.	ETF at the prevailing market price. Market integrity may also be impacted as the purchaser who has withdrawn will be able to repurchase the ETF in the market at a lower price, creating an asymmetrical allocation of risk between buyers and sellers in a trade. Accordingly, there is no compelling policy rationale to support the extension of a right of withdrawal to the delivery of the ETF Facts. One of the industry association commenters also noted that not extending the right for withdrawal of purchase is consistent with the Exemptive Relief, which was granted on the basis that the trade confirmation right of rescission and other rights and remedies for misrepresentation in the disclosure documents are sufficient and appropriately address any investor protection concerns. Another industry commenter told us that if a right of withdrawal of purchase to ETF investors is extended, controls should be put in place in order to protect both the investor and the dealer, as well as to avoid speculative trading. One investor advocate told us it was reasonable that the right of withdrawal of purchase not be extended to the delivery of the ETF Facts as the current rights with respect to misrepresentation in a prospectus, civil liability for misrepresentation for secondary market disclosure and rights of	

[1] See for example section 137 of the *Securities Act* (Ontario). In Ontario, this right only applies in respect of purchases that are less than $50,000. An investor that exercises this right is entitled to receive the lesser of their original investment amount and the net asset value of the shares/units at the time of exercise. The investor would also be entitled to receive all costs incurred in connection with their purchase.

	rescission for the delivery of the trade confirmation apply. However, one industry commenter told us that not having a withdrawal right is not in the best interests of investors, particularly those investors who invest in both ETFs and conventional mutual funds. The commenter urged the CSA to explore a mechanism for providing ETF investors with the functional equivalent of a withdrawal right, e.g. the selling dealer offers a refund to the ETF purchaser and the dealer can collect on the net losses from the ETF manager on a periodic basis. Alternatively, the commenter suggested that the absence of a withdrawal right be prominently disclosed in the ETF Facts. Another investor advocate and one industry association urged the CSA to extend the right of withdrawal of purchase for the delivery of the ETF Facts. ***Right of rescission with trade confirmation delivery*** One investor advocate and one industry association told us that the rescission right with the delivery of the trade confirmation should apply to all trades in all jurisdictions in Canada. One investor advocate suggested the harmonization of the withdrawal and rescission rights among the jurisdictions would allow for clearer disclosure regarding investor rights, otherwise investors will not exercise those rights.	Under current securities legislation, investors have a right for withdrawal of purchase within two business days of receiving the prospectus only in respect of a distribution of Creation Units for which prospectus delivery is required. Since not all ETF purchases are distributions of Creation Units, the right of withdrawal of purchase does not apply today to all ETF investors. Furthermore, ETF investors have no way of knowing whether they have received Creation Units and are therefore eligible for a withdrawal right. The CSA is of the view that it be confusing to ETF investors to provide disclosure in the ETF Facts of a withdrawal right that ETF investors do not have. At this time, the CSA is not proceeding with the harmonization of the rescission right for the delivery of the trade confirmation. Jurisdictions that have this right are not contemplating any changes at this time.

	Right of action for failure to deliver the ETF Facts One industry association was of the view that the Proposed Amendments should be consistent with the Exemptive Relief, which did not provide a purchaser's right of action for failure to deliver the Summary Document (the "Right of Action"). The commenter was of the view that ETF investor rights would not be diminished without the Right of Action and the Right of Action is unnecessary as the Trade Confirmation Right of Rescission provides appropriate investor protection. In addition, harm to market integrity may be an unintended consequence of providing a Right of Action (and Right of Withdrawal) if investors are granted asymmetric rights and price exposure is left with the dealer. Dealers paying ETF distribution costs would also bear the costs associated with the Right of Action (and Right of Withdrawal) in the absence of compensation by way of sales charges, trailers and redemption fees as with conventional mutual funds. In an active volatile market, dealers will face significant risk which ETF market makers may determine to offset by restricting liquidity provision. This may result in larger bid-ask spreads for ETF securities, driving up their cost and deviating significantly from the ETF's NAV to the potential detriment of investors.	Under current securities legislation, ETF investors have a Right of Action if their purchase order was filled by Creation Units because the prospectus delivery requirement only applies to Creation Units. However, since ETF investors have no way of knowing whether they have received Creation Units, they also would have no way of knowing if the prospectus should have been delivered, and in the event of non-delivery, that they have a Right of Action. The requirement to deliver the Summary Document was a condition of the Exemptive Relief and thus, failure to deliver the Summary Document would result in non-compliance with the Exemptive Relief, thus resulting in the requirement to deliver the prospectus in connection with the purchase of Creation Units. To the extent that a prospectus is not delivered for Creation Units, then the dealer would be liable for failure for delivering a prospectus. The Right of Action is not a new investor right but an existing investor right for the failure to deliver a prospectus which attaches to the dealer delivery obligation. With the introduction of the ETF Facts, the Right of Action applies to the ETF Facts when it is not delivered in accordance with the delivery requirement. The Right of Action is intended to provide investors with recourse where the ETF Facts is not delivered. This is consistent

		with the delivery regime for the Fund Facts where there is also a Right of Action for failure to deliver the Fund Facts.

Part 7 – Other Comments		
<u>Issue</u>	**<u>Comments</u>**	**<u>Responses</u>**
9. Requirements of Form 41-101F4 *Information Required in an ETF Facts Document*	We received a number of comments on the form requirements of Form 41-101F4: **(i) Format** – Two investor advocates recommended that the format of the ETF Facts should be as similar as possible to the Fund Facts for consistency and to facilitate comparisons by investors. One investor advocate did not prefer the columnar format of the sample ETF Facts.	Form 41-101F4 requires that the items in the ETF Facts be presented in a certain order and prescribes that the length of the ETF Facts must not exceed a total of four pages in length. Form 41-101F4 does not mandate the format of the information in the ETF Facts. There is no requirement to use the columnar format presented in the sample ETF Facts published in the Proposed Amendments.
	(ii) Font size – Three investor advocates suggested that Form 41-101F4 require a minimum font size for the ETF Facts. One investor advocate suggested that the ETF Facts should be allowed to exceed the minimum length of 4 pages double-sided to accommodate a larger font size.	Form 41-101F4 does not mandate the use of a specific font or style but the text must be of a size that is legible. The Final Amendments do not prevent the ETF Facts from being prepared in a larger text size that exceeds 4 pages double sided, provided that these documents are delivered or sent separately in addition to the ETF Facts filed and required to be delivered in accordance with the Final Amendments. We would consider such documents to be sales communications.

	(iii) Definition of ETFs – One investor advocate recommended that the ETF Facts include a definition of ETFs and explain how they are created and how they differ from conventional mutual funds. Another investor advocate suggested that for index-tracking ETFs, the ETF Facts describe how an index works. Another investor advocate noted inconsistencies between of the definitions of ETFs in Form 41-101F4 and elsewhere in the Proposed Amendments. **(iv) Fund name –** One investor advocate suggested that the name of the fund should spell out "ETF" as "Exchange Traded Fund" as some investors may not know what an ETF is. Also, if the fund is a commodity pool, it should be specified in the ETF Facts. **(v) Data within 60 days of the date of the ETF Facts –** One industry commenter asked that the requirement that the data be within 60 days of the date of the ETF Facts not apply to amended ETF Facts filed in connection with material changes. The commenter expressed concern about operational constraints in collecting the data in a short amount of time, particularly for the	The section "Trading ETFs" provides a brief description of ETFs and also provides some information about how to trade ETFs. The definition of ETF is consistent in the Final Amendments. In the introduction to the ETF Facts on the first page, "exchange-traded fund" is abbreviated to "ETF". An ETF that is a commodity pool is required by Form 41-101F4 to provide textbox disclosure indicating an investment in that type of fund involves a higher degree of risk. The CSA understand that trading and pricing information is information that fund managers generally monitor on a regular basis. As a result, we think that it is reasonable to require the trading and pricing information to be within 60 days of the date of the ETF Facts.

	trading and pricing information, some of which may need to be sourced from third party providers or calculated manually.	
	(vi) As of dates – One investor advocate recommended that an "as of date" be provided for the items listed under "Pricing Information". All data and performance information should show the applicable dates or periods. The dates should be consistent throughout the ETF Facts.	Form 41-101F4 does require an "as of date" for the "Pricing information" in the ETF Facts. The General Instructions to Form 41-101F4 also requires that for items that must be as at a date within 60 days before the date of the ETF Facts or over a period ending within 60 days of the date of the ETF Facts, the same date must be used and disclosed in the ETF Facts.
	(vii) CUSIP – One investor advocate commented that the CUSIP is not useful for investors.	Similar to the Fund code for the Fund Facts, the CUSIP on the ETF Facts is useful to dealers for completing trades. The disclosure of the CUSIP on the ETF Facts is optional and would generally be unobtrusive.
	(viii) Date ETF started One commenter considered the date that an ETF is listed on an exchange to be a useful starting point since this is the date the public can transact in units of the ETF. The commenter encouraged the CSA to change the term "Date ETF Started" to "Original Listing Date".	We do not propose to make any changes to this item. This heading for this item is consistent with the heading using in the Fund Facts.
	(ix) Total value on date One commenter noted that in order to avoid confusion for the investor between net asset value and market value, "Total Value on Date" should be replaced with "Total Net Asset Value as at".	We do not propose to make any changes to this item. This heading for this item is consistent with the heading using in the Fund Facts.

	(x) Management expense ratio One commenter suggested that MER is only tracked semi-annually or annually by ETF providers, therefore, "Management Expense Ratio" in Quick Facts should be revised to include an "as at" date.	We do not propose to make any changes to this item. The MER is taken from the most recently filed management report of fund performance (MRFP). This item is consistent with the Fund Facts.
	(xi) Distributions One commenter requested clarification on the difference between "frequency" and "timing", if any, of distributions as required to be disclosed under Instruction (6).	"Frequency" refers to how often the distributions are made, e.g. annually, quarterly, monthly. "Timing" refers to when the distributions will be made, e.g. March, June, September and December.
	One investor advocate recommended that the "Distributions" item clearly set out the frequency and timing of distributions, e.g. quarterly on the 15th of March, June, September and December. Two investor advocates recommended that the form of distribution be disclosed when the distributions are not in cash.	The form of distribution is typically at the option of the investor. As such, the ETF Facts does not require this information.
	(xii) What does the ETF invest in? – An investor advocate suggested that the section be renamed "Principal Investment Strategy" for ETFs that do not exclusively track an index. Another investor advocate recommended this item disclose the ETF's use of leverage and the leverage ratio.	We do not propose to change the heading "What does the ETF invest in?" as it is consistent with the heading "What does the fund invest in?" in the Fund Facts. Form 41-101F4 also requires ETFs that track a multiple of the daily performance of a specified underling index or benchmark to provide prescribed textbox disclosure.

	(xiii) No guarantees – One investor advocate recommended disclosure be provided regarding insurance provided by derivative strategies and how it is applied.	Form 41-101F4 requires disclosure about the use of derivatives in cases where this is a fundamental strategy of the fund. While derivatives can be used for hedging purposes, such use would not constitute any form of guarantee that the fund will not lose money.
	(xiv) How has the ETF performed? – One industry commenter asked for confirmation that the disclosure indicating the ETF's returns may not match the returns of the index are only applicable to index-tracking ETFs. Another industry commenter suggested that there should be disclosure to tell investors most investors buy ETFs at market price, not NAV and include a cross-reference to the section "How ETFs are priced". The commenter also queried why the year by year returns only show calendar years and not the stub period for the initial year.	We confirm that the disclosure under "How has the ETF performed?" relating to the ETF's returns not matching the returns of the index are only applicable to index-tracking ETFs. Form 41-101F4 has been amended accordingly.
	(xv) Who is this ETF for? – One industry commenter suggested a suitability section is not appropriate as ETF managers are not well positioned to provide suitability assessments on ETFs given their lack of privity with investors.	We disagree with the commenter's assertion that ETF managers are not well positioned to provide suitability assessments on ETFs. While the ETF manager may not be able to determine whether an ETF is suitable in the context of a particular investor transaction, the CSA is of the view that in the context of product development process (e.g., generating the product idea, designing the product features, developing marketing materials for the product), the ETF manager has made a general determination of the types of investors for whom the ETF may or may not be suitable. It is important that the ETF Facts recognize the

	One investor advocate recommended that this section should be moved up after "How has the ETF performed?"	differences between ETFs and conventional mutual funds. The "Trading ETFs" (formerly, "How ETFs are priced") section speaks to trading characteristics of ETFs. We think it is appropriate that the "Trading ETFs" section follows the "How has the ETF performed?" section as the returns shown in the performance section are calculated using the ETF's NAV and the "Trading ETFs" section explains the difference between market price and NAV.
	An industry association asked for clarification as to when an exclamation mark or other symbol should be used for this item.	The use of an exclamation mark or other symbol in the "Who is this ETF for?" section is not a requirement for this item and is subject to the ETF manager's discretion. Form 81-101F3 simply requires a description of the characteristics of the investor and the portfolios for whom, and the portfolios for which, the mutual fund is and is not suited. The use of an exclamation mark, however, could be effective in highlighting circumstances where the manager is of the view that the product would not be suitable for a certain class of investors.
	(xvi) A word about tax – One investor advocate recommended that after-tax returns be provided in the ETF Facts.	The ETF Facts highlights the potential tax consequences of investing in an ETF in "A word about tax". The disclosure is general in nature because each investor's tax situation will be different.
	(xvii) How much does it cost? – One investor advocate noted that the ETF Facts does not alert the investor to the conflicts of interest resulting	Both the ETF Facts and the Fund Facts prescribes the disclosure "Higher commission can influence representatives to recommend one

	from the payment of trailing commissions, unlike the Fund Facts. Another industry commenter asked why the ETF Facts includes disclosure that higher commissions may influence representatives to recommend one investment over another when there is no similar disclosure in the Fund Facts and it would be unfair to do so. The commenter also told that this disclosure implies that representatives might recommend unsuitable investments in order to receive increased compensation, which is an opinion, and is not within the scope of the ETF Facts. One industry commenter suggested that for ETFs without a trailing commission, the disclosure that higher commissions may influence representatives is not necessary.	investment over another." in the "How much does it cost?" section as a general statement. This language is intended to highlight to investors the potential conflict of interest that exists in their representative's compensation arrangement arising from the payment of commission s that may occur upon the sale of investments in general, rather than ETFs specifically. While there are ETFs that do not have trailing commissions, trailing commission are not the sole source of potential conflicts of interest. This language references commission that may be payable on investment products generally. This language does not imply that representatives may recommend unsuitable investments to investors in order to receive increased compensation.
	(xviii) Brokerage commissions – One investor advocate suggested that this section should be used to tell investors that the amount of the brokerage commission depends on the type of account, e.g. fee-based account, commission based account, discount brokerage account, and that the amount of commission may be negotiable. Investors should be told to review their account opening documents and to speak to their representative. Investors should also be told that brokerage commissions would be more if smaller, more frequent trades are made rather than one larger trade, depending on the type of account.	The ETF Facts will help provide investors with key information about an ETF. Specific information such as the amount of brokerage commissions for every type of account, which may also differ from brokerage firm to brokerage firm, is not considered to be information about an ETF and falls outside the scope of the key information contained in the ETF Facts. We expect that investors are informed of the amount of brokerage commissions for transactions made through their account at the time of account opening.

	Another industry commenter told us that the "Brokerage commissions" section should provide full fee disclosure of all fees paid by the ETF investor for an apples-to-apples comparison of the all-in costs to the Fund Facts. The "Brokerage commissions" disclosure should be changed to indicate that brokerage commissions are paid each time you buy and sell and require specific information about the rates of brokerage commissions payable.	
	One industry commenter suggested that the disclosure under "Brokerage commissions" be changed to clearly indicate that that commissions paid when investors buy and sell ETF securities are brokerage commissions paid to their dealer.	Under "Brokerage commissions", the language has been revised to clearly indicate that commissions are paid each time investors buy and sell ETF securities.
	(xix) ETF expenses – One investor advocate suggested that ETF expenses be provided in the Quick Facts section instead of the MER.	We do not propose to make any changes to this item. This item is consistent with the Fund Facts.
	Another investor advocate suggested that "ETF expenses" be changed to "Fund expenses" to be consistent with the Fund Facts.	Also, we do not propose to change "ETF expenses" to "Fund expenses" as it may cause confusion since the ETF is referred to as the "ETF" throughout the ETF Facts.
	Another investor advocate suggested that "trailing commission" be given its own line separate from the MER and TER.	Although trailing commission does not have its own line item in the table under "ETF expenses", there is a separate section that is specifically dedicated to describing the trailing commission and setting out, where applicable, the amount of trailing commission that is paid on an ongoing basis in both percentage and dollar terms. On

		this basis, we do not agree that any further changes are required to this section of the ETF Facts.
	One investor advocate also told us that the language "You don't pay these expenses directly. They affect you because they reduce the ETF's returns." is not sufficient in telling investors that investor's returns are reduced.	In our view, the required disclosure does make it clear to investors that their returns are reduced by expenses. This disclosure is also consistent with the Fund Facts.
	One investor advocate thought that the language indicating that the ETF manager waived certain ETF expenses was potentially confusing or misleading. The disclosure should indicate the MER without indicating that the MER could have been higher or alternatively, indicate that had the ETF waived more of its expenses or managed the fund more economically, the MER would have been lower.	The disclosure indicating that the ETF manager waived certain ETF expenses is to inform investors that if ETF manager did not waive certain fees and expenses otherwise payable by the ETF, the MER would have been higher. Our view is that it would be misleading not to provide this disclosure since there is generally no obligation on the part of the fund manager to continue fee or expense waivers in the future. This disclosure is also consistent with the Fund Facts.
	One industry association recommended that the calculation of expenses for this item be based on the prior 12 months.	We think that the MER and TER for the "ETF expenses" section, which is taken from the most recently filed management report of fund performance for the ETF, is sufficiently current. This is consistent with the Fund Facts. It would otherwise be confusing if the MER provided in the management report of fund performance differed from the MER in the ETF Facts.
	One industry commenter told us that the MER is poorly understood by investors who believe that MER is equal to the total cost of investing. Also	While we agree that there are elements beyond the MER that make up the total cost of ownership for an ETF, we disagree with the

	the MER for a conventional mutual fund is not the same the MER for an ETF. The MER for a conventional mutual fund includes distribution cost, compensation paid to the dealer and financial adviser for their services. In contrast, the MER for an ETF includes only the cost operating the ETF and excludes the costs required of a retail investor to purchase and hold the ETF, e.g. account opening and account administration fees, registered plan fees, transfer fees, NSF fees. The commenter suggested less emphasis on the MER in the ETF Facts or provide an explanation that the MER of an ETF is only one component of the costs of owning and transacting in ETFs.	comment that MERs for ETFs and conventional mutual funds are not comparable. We note that the ETF Facts also highlights the bid-ask spread and the potential applicability of brokerage commissions, which also factor into the overall cost equation when buying and selling ETFs. While these items are not included in the MER, we note that front end sales charges and deferred sales charges, which generally do not apply to ETFs, are also not captured in the MER for conventional mutual funds. We think that the ETF Facts makes it sufficiently clear that there are cost considerations beyond the MER that must be taken into account. We also note that for conventional mutual funds, as well as for ETFs, the MER should not include account opening and account administration fees, registered plan fees, transfer fees or NSF fees. We also note that the disclosure relating to the MER is consistent in the ETF Facts and the Fund Facts.
	One investor advocate suggested replacing the "total" with "sum" in the description of what makes up the MER.	We do not propose to replace "total" with "sum" as the ETF Facts is intended to be in plain language.
	(xx) Trailing commission – Three investor advocates recommended that trailing commissions should only be mentioned if the ETF has trailing commissions. They noted that only a small number of ETFs have trailing commissions and that referencing trailing commissions in all ETF Facts may confuse	The testing of the ETF Facts showed that investors wanted to know about the trailing commission even if the trailing commission is zero. Form 41-101F4 requires that an ETF to indicate whether the ETF pays trailing commissions and also requires a description of trailing commissions under the sub-heading

	investors with negative disclosure. One industry association and one industry commenter told us that the explanation of what trailing commissions are should only be included in the ETF Facts for the ETFs that have a trailing commission. ETFs that do not have a trailing commission should simply indicate that there is no trailing commission. One investor advocate was of the view that the explanation of trailing commissions in the ETF Facts and in the Fund Facts was not sufficient and investors do not understand what trailing commissions are. The document testing also showed that almost half of the investors tested read the disclosure about whether the ETF has a trailing commission so the format of the ETF Facts should be changed. If an ETF has trailing commissions, it should be disclosed in the explanation for MER. A section should be added called "More about the trailing commission" which sets out what the dollar amount of the trailing commission is. If no trailing commission is charged, the section should be called "No trailing commission" and the dollar amount should indicate $0.	"Trailing commission" in the ETF Facts irrespective of whether an ETF pays trailing commissions. The CSA is of the view that the disclosure about trailing commissions in the ETF Facts is sufficient for investors. The disclosure about trailing commissions in the ETF Facts is consistent with the Fund Facts. Based on the testing results of the ETF Facts, the CSA revised the disclosure about trailing commission to include a description of trailing commissions. The disclosure about trailing commissions in the Fund Facts was also originally subject to investor testing as part of Stage 2 of the POS Project. The final report of the investor testing, "CSA Point of Sale Disclosure Project: Fund Facts Document Testing," indicated that some 8 out of 10 or more understand that the mutual fund in the sample Fund Facts tested pays a trailing commission for the advice of the dealer and financial adviser and that it can influence the adviser's recommendation. Given the document testing results, we do not propose to move the "Trailing commission" section into the disclosure about MER or change the name of the subheading. Similar to Form 81-101F3, Form 41-101F4 does require the ETF to disclose

		whether or not trailing commissions are paid.
	(xxi) Other fees – One investor advocate told us that any other fees charged and not included in the MER and TER should be disclosed under "Other fees" or conversely, indicate that there are no other fees. One industry association supported the consistent fee and cost disclosure in the ETF Facts and the Fund Facts. The commenter asked the CSA to provide greater specificity as to the types of fees that would be disclosed under "Other fees", i.e. is this section for any transaction fees that are not otherwise disclosed?	Form 41-101F4 does require the disclosure of the amount of any fees payable by an investor when they buy, hold, sell or switch securities of an ETF under the sub-heading "Other fees" under the "How much does it cost?" section of the ETF Facts. If there are no fees to be disclosed, the sub-heading "Other fees" is not required. This is consistent with the Fund Facts.
	(xxii) Companion Policy – One industry commenter suggested that the Companion Policy be amended to indicate that the CSA does not consider changes to the Quick facts (other than changes in distribution frequency), Trading information and Pricing information sections of the ETF Facts to be material changes.	The definition of "material change" is set out in National Instrument 81-106 *Investment Fund Continuous Disclosure*. The determination of what constitutes a material change is a determination made by an investment fund manager. Previously, we have seen a change to a portfolio manager, who is disclosed under "Quick facts", to be considered a material change by certain fund managers. The CSA is of the view that it is not feasible to provide an exhaustive list of what changes would not be considered to be material changes in the Companion Policy.
	(xxiii) Warning for leveraged ETFs One commenter suggested that the proposed warning for leveraged ETFs was adequate as the	The textbox disclosure for leveraged ETFs, inverse ETFs and commodity pools tested well with investors. The investor document testing

	ETF document testing results supported that more investors than not understood that these products were very risky and not appropriate as a long term investment. One investor advocate was of the view that the proposed textbox disclosure would not be sufficient to adequately protect investors. The commenter suggested pop-up risk warnings on the websites of ETF managers and discount brokerages where the investor must confirm their understanding of the risks of investing in these products. **(xxiv) Exemptive Relief** One industry commenter expressed disappointment that the proposed ETF Facts contains data points and prescribed text that are not in the current form of Summary Document made pursuant to the Exemptive Relief.	showed that investors understood that the textbox indicated that the leverage/inverse ETF was a very risky investment. Suggestions for pop-up risk warnings are beyond the scope of this project. As the CSA indicated in its publication of the final amendments to Stage 2 of the Point of Sale (POS) Project,[2] prior to granting the Exemptive Relief, the CSA anticipated initiating rule-making and seeking legislative amendments to codify the concepts of the Exemptive Relief to make it applicable to all dealers who act as agent of the purchaser of an ETF security. At the time, we indicated that this would include the creation of a summary disclosure document for ETFs, similar to the Fund Facts.
10. Pre-Sale Delivery of ETF Facts	Two industry associations told us that mandating pre-sale delivery of the ETF Facts would not be appropriate given the unique distribution structure	The first step of this initiative involves the codification of Exemptive Relief granted in 2013.

[2] Canadian Securities Administrators Implementation of Stage 2 of Point of Sale for Mutual Funds – Delivery of Fund Facts, Notice of Amendments to National Instrument 81-101 *Mutual Fund Prospectus Disclosure*, Form 81-101F3 *Contents Of Fund Facts Document*, Companion Policy 81-101CP to National Instrument 81-101 *Mutual Fund Prospectus Disclosure* and consequential amendments published on June 13, 2013.

	of ETFs. ETFs share the attributes of securities, are actively traded, available for purchase and sale on a designated stock exchange throughout each trading day and dealers may have difficulties identifying ETF purchasers who do not receive trade confirmations. One of the industry associations noted that, unlike conventional mutual fund investors who generally intend hold their investments for the longer term, ETF investors tend to be active investors and have high transaction turnover given the low transaction costs. ETF investors need flexibility to enter the market quickly as trading prices change throughout the day, and certain ETFs are held as short-term investments. Requiring pre-sale delivery of the ETF Facts before the dealer can execute a trade will impact the price at which the trade in executed and would effectively bring the ETF business to a halt. The commenter was of the view that pre-sale delivery of the ETF Facts would not be of any benefit to ETF investors and that post-sale delivery of the ETF Facts together with the rescission right attached to the trade confirmation is appropriate for investor protection. Another industry association queried how ETF Facts will work together with CRM2 pre-trade disclosure and pre-sale delivery of the Fund Facts. The commenter noted that investors may be confused as to why Fund Facts is delivered pre-sale and ETF Facts is delivered post-sale while CRM2 disclosure for both ETFs and	We note that the transition to pre-sale delivery for conventional mutual funds followed a staged approach. We think that such an approach is appropriate for our ETF Facts initiative as well. This is particularly the case given that the Final Amendments has two main impacts. The first is the creation of a standardized form of summary disclosure document. This requirement impacts mainly fund managers. The second is the creation of a buy-side dealer delivery obligation. Traditionally dealers have had the obligation to deliver prospectuses when they act on the sell side. We recognize that this is an entirely new obligation for the buy side and we anticipate that there may be some implementation issues related to this shift in approach, particularly for dealers that are not currently captured by the Exemptive Relief that is currently in place. Using a staged approach also allows us to continue to consider the applicability of pre-sale delivery in the context of ETF Facts. In this respect, we need to consider the fact that while ETFs are generally viewed as functionally equivalent to conventional mutual funds, there are some mechanical differences in the manner in which ETFs securities are purchased, i.e., ETF securities trade on an exchange throughout the day. The CSA needs to consider further whether these nuances merit different approaches in terms of the timing of delivery.

	conventional mutual funds is provided pre-trade. The commenter told us the practical result would be that advisors move to de facto pre-sale delivery of the ETF Facts from the outset. Two industry associations and two industry commenters noted that the Proposed Amendments require delivery of the ETF Facts within 2 days of purchase which results in an unlevel playing field that favours the ETFs (and segregated funds) if the ETF Facts is delivered post-sale and the Fund Facts is delivered pre-sale. This results in regulatory arbitrage and also contradicts the CSA's objectives of a point of sale regime. The CSA has said that comparable securities products sold to retail investors should be subject to consistent disclosure and delivery requirements. The commenters noted that the CSA has emphasized that the Fund Facts is more useful if delivered pre-sale and the same rationale should apply to the ETF Facts. Different delivery requirements for the ETF Facts and Fund Facts will also cause added administrative burden of managing compliance for dealers and advisors who distribute both ETFs and conventional mutual funds. Also, the commenters said the pre-sale delivery systems created for the Fund Facts, particularly for advice-based and self-directed dealers, could be leveraged for pre-sale delivery for the ETF Facts. Five investor advocates encouraged the CSA to require pre-sale delivery of the ETF Facts. One investor advocate noted that MFDA dealers will	The CSA also encourages the use and distribution of the ETF Facts as a key part of the sales process in helping to inform investors about the ETFs they are considering for investment.

	soon be able to sell ETFs and ETF Facts and the Fund Facts should be delivered in the same manner to avoid investor confusion. Another investor advocate pointed out that post sale delivery of the ETF Facts does not meet Principle 2 of the IOSCO Principles on point of sale disclosure. One other investor advocate commented that post-sale delivery of the ETF Facts is not relevant to the investor's investment decision as the decision will already be made. Furthermore, investor testing of both the ETF Facts and Fund Facts show that investors want to receive the documents delivered pre-sale. Also, behavioural biases also decrease the likelihood that investors will exercise their right to cancel their purchase even after receiving information that tells them their investment decision was unwise. One investor advocate also encouraged the CSA to require post-sale delivery of the prospectus and to also reform the prospectus into a more meaningful disclosure document for investors to complement the key information provided in the Fund Facts and ETF Facts. One industry association urged the CSA to reconsider "access equals delivery" for point of	The ETF Facts is intended to be delivered to investors in lieu of the prospectus. We know that many investors do not use the information in the prospectus because they have trouble finding and understanding the information they need. Research on investor preferences for mutual fund information, including our own investor testing of the Fund Facts and ETF Facts, indicates investors prefer to receive a concise summary of key information. Financial literacy research further reinforces the need for clear and simple disclosure. As we have previously stated throughout the various stages of the POS disclosure initiative

	sale disclosure documents. The commenter suggested that this delivery method is a broad solution to ensure investors in all products are able to receive key information in a consistent format, conveniently and at any time, regardless of the distribution channel. Another industry association asked the CSA to provide confirmation that ETF Facts is not required to be filed or delivered for ETF securities offered pursuant to prospectus exemptions. This would be consistent with conventional mutual funds securities offered pursuant to prospectus exemptions.	for the Fund Facts, we do not consider "access equals delivery" to meet the principles set out in the point of sale disclosure framework. Other than the timing of delivery, the delivery provisions for the ETF Facts are consistent with the delivery provisions for the Fund Facts.
11. Trade Confirmation Delivery Requirement	***Tie ETF Facts Delivery to Trade Confirmation Delivery*** Two industry associations and one industry commenter told us that the ETF Facts delivery requirement should not be to all ETF investors but should instead be tied to the delivery of the trade confirmation. Such an approach would be consistent with the terms of the Exemptive Relief delivery of the Summary document only to those investors who are required to receive a trade confirmation One of the industry associations and one industry commenter noted that requiring ETF Facts delivery to all ETF investors poses a cost and operational burden on dealers who will have difficulty identifying ETF purchasers in cases	While the Final Amendments do not require the ETF Facts to be delivered with trade confirmations, the ETF Facts can be delivered with the trade confirmations referencing the purchase of ETF securities provided that the ETF Facts delivery requirement is met. The Exemptive Relief was always intended as an interim measure until such time that relevant rule-making and legislative amendments could be put into place. Although delivery of the Summary Document was tied to the delivery of the trade

	where trade confirmations are not required to be delivered. Also, separating the delivery of the ETF Facts from the delivery of the trade confirmation would require the creation of new delivery systems which will involve significant costs. The commenters argued that there is no material benefit that outweighs the significant costs to deliver the ETF Facts. ***Exemptive Relief from Trade Confirmation Delivery*** An industry commenter and one industry association also noted that the CSA recognizes that not all investors stand to benefit from the delivery of a prospectus and/or trade confirmation. Exemptive relief has been granted to dealers from delivery of trade confirmations in certain circumstances, including managed accounts, employer-sponsored stock investment plans, contributions to a self-determined scholarship plan, rebalancing of model portfolios, "Institutional Customers" (as defined in IIROC Dealer Member Rule 1.1) when the trade must be matched and certain automatic plans. Requiring delivery of the ETF Facts to these investors would be inconsistent with the rationale for which such transactions were granted relief from the trade confirmation delivery requirement.	confirmation for the purposes of the Exemptive Relief, it was always anticipated that delivery would be to all ETF investors, subject to certain delivery exceptions. The CSA disagrees with the commenters' submission that the rationale used to grant exemptive relief from the trade confirmation delivery requirement also applies to the delivery of the prospectus and/or the ETF Facts. The trade confirmation and the ETF Facts are different documents with different purposes. The trade confirmation provides a record of an investor's transactions whereas the ETF Facts provides investors with key information about an ETF. The CSA recognize that some adjustments may need to be made to delivery systems in order to implement the new delivery regime. However, the CSA continue to be of the view that the benefits of the changes to introduce the ETF Facts and to require the delivery of the ETF Facts are proportionate to the costs of making them.

	Managed Accounts We received a number of comments relating to the ETF Facts delivery requirement and managed accounts. One industry commenter recommended that an exemption from the ETF Facts delivery requirement be given to managed accounts. The commenter noted that given the nature of managed accounts, delivery of the ETF Facts to investors is unnecessary and likely unwelcome or confusing. The ETF Facts would be readily available upon request to any investor. Another industry commenter pointed out that NI 45-106 has expanded the definition of "accredited investor" to include registered advisors transacting on behalf of “fully managed accounts”, such that purchases made in a managed accounts can be made on a prospectus exempt basis. The commenter noted that the managed account investors have granted investment authority to their advisor. One industry association queried why accredited investors, who are eligible to invest in any exempt market security without a form of written disclosure document, are precluded from the option of waiving delivery of a disclosure document for the same security that is prospectus qualified. In the commenter’s view, there is no particular higher risk or issue associated with ETF securities that justifies mandating delivery of the ETF Facts to accredited investor. The	The delivery framework for the ETF Facts is consistent with the delivery framework for the Fund Facts. The Fund Facts is required to be delivered to managed account investors as well as permitted clients. Also, there are no Fund Facts delivery exceptions for accredited investors. As we have previously stated throughout the various stages of the POS disclosure initiative for the Fund Facts, CSA is of the view that access does not equal delivery, nor does a referral to the website on which the ETF Facts is posted.

	commenter also noted that securities legislation provides exceptions for non-individual permitted clients from certain disclosure requirements and suggested that non-individual permitted clients be exempted from the delivery of the ETF Facts as the ETF Facts are accessible on ETF websites and dealer should not have to incur delivery costs.	
12. Educational Materials	Four investor advocates recommended that the CSA consider creating an investor education program to accompany the introduction of the ETF Facts to explain the differences between ETFs and conventional mutual funds. Many of the investor advocates recommended that the CSA prepare a brochure for investors on how to use the ETF Facts to make investment decisions. One investor advocate recommended that the CSA replace its "Understanding Mutual Funds" brochure with one for ETFs, conventional mutual funds and other investment funds given that the investor testing showed investors have a low level of understanding investment products, including ETFs. The brochure should be designed to help investors understand the differences in the investment funds, including how the funds are created, structured and purchased, the impact of costs and conflicts of interest.	We agree that investor education is a key aspect of investor protection. While we do not have any current plans to replace the "Understanding Mutual Funds" brochure, we may consider other investor education materials in the future, as appropriate. However, we do not agree that a user guide is needed for the ETF Facts.
13. Investor Testing	An investor advocate expressed concerns that the document testing results indicate that there are some investors who did not clearly understand	The results of the investor testing of the proposed ETF Facts helped to inform the content of the ETF Facts form requirements which were

	the information in the ETF Facts or that a particular ETF was risky.	published for comment in the Proposed Amendments. We think the changes made to the ETF Facts form in response to the testing results will help investors understand the key information in the ETF Facts. The document testing report indicated that the textbox language for a sample leveraged ETF tested well with the majority of investors. The majority of investors did understand that the leveraged ETF was highly speculative. We agree that investor testing is an important input in developing more user-friendly disclosure. The Fund Facts has undergone significant investor testing throughout its development. The ETF Facts, which is based on the Fund Facts, has also been subject to investor testing prior to its publication for first comment on June 18, 2015.
	An industry association supported investor testing of the ETF Facts post-implementation to ensure that the ETF Facts is meeting its disclosure objectives and that it is understood and used by investors as expected. The commenter also recommended making any necessary changes to the ETF Facts as a result of post-implementation investor testing.	We expect to conduct a post-implementation review of the ETF Facts and will consider whether further investor testing is warranted at that time.
14. Access to ETF Facts on websites	One investor advocate recommended that the CSA require ETF managers to post the ETF Facts prominently on their websites rather than burying it under "legal and regulatory documents" and making it hard for investors to	The Final Amendments require an ETF Facts that is posted to the website of a mutual fund or the mutual fund's family to be displayed in a manner that would be considered prominent to a reasonable person, in an easily visible and

	find. The commenter also suggested that ETF managers should not be permitted to call their marketing documents "Fact Sheets" or other names that could be confused with the ETF Facts.	accessible location. Furthermore, any documents named "ETF Facts" must be in the compliance with the requirements set out in Form 41-101F4.
15. Third party data providers	One industry association and one industry commenter expressed concerns that the trading and pricing information contemplated in the ETF Facts may lead to increased costs and liability for ETF managers as this information is not self-sourced and will likely need to be sourced from third party data providers. It is expected that third party vendors will disclaim liability for the data and force ETF manager to take on additional legal risk for content that is not readily verifiable. Also, there will be increased costs to obtain this information. Given that the "official" national best bid and offer are only available from one data provider, and it's unclear whether the use of consolidated trading data from other data providers will be permitted, the proposed ETF Facts form requirements may introduce a "captive consumer" issue such that the data provider controlling this information may exercise monopolistic pricing.	In fulfilling its obligations as an ETF manager, the CSA expects that ETF managers already monitor the trading and pricing information contemplated in the ETF Facts. We have consulted with more than one third party data provider regarding the data required to comply with the disclosure requirements in the ETF Facts. These third party data provided indicated that the data required for the ETF Facts will be readily available and accessible at a reasonable cost.
16. Obsolescence of data	One industry association noted that the quantitative data in the ETF Facts, and the Fund Facts, is often obsolete by the time the documents are delivered to investors. The commenter suggested the ETF Facts and the Fund Facts, be filed annually but that ETF managers update the quantitative data in the	The quantitative data is provided within 60 days of the date of the ETF Facts. The quantitative data in the ETF Facts can be updated at any time by an ETF manager, but only the most recent version of the ETF Facts filed on SEDAR can be delivered to ETF investors.

	documents quarterly and make them available on their websites but not filed on SEDAR. The quarterly updated versions of the ETF Facts, and the Fund Facts, would be delivered to investors.	We understand that ETF managers routinely place fund details on their websites that is typically updated more frequently than annually. We do not object to such supplementary information being provided.
17. CSA Risk Classification Methodology	We received a number of comments on the proposed CSA risk classification methodology published for comment on December 12, 2013 in *CSA Notice 81-324 and Request for Comment Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts*. Some investor advocates questioned the use of standard deviation as a risk indicator and suggested alternative risk indicators. One industry association also noted that both the ETF Facts and Fund Facts should be subject to the same risk classification methodology. Another industry association asked the CSA to confirm whether the Canadian Exchange-Traded Fund Association (CETFA) fund volatility methodology is an acceptable risk classification methodology for use in the ETF Facts.	We confirm that the CSA mutual fund risk classification methodology will apply to both Fund Facts and ETF Facts. Since the use of this methodology is mandatory, CETFA's methodology would not be acceptable for use in the ETF Facts. We note that comments received in respect of the risk methodology repeat comments that were already received in response to our public consultation on that methodology and have been dealt with through that process.
18. Regulatory arbitrage	One industry commenter encouraged the CSA to explore further steps that can be taken to ensure that comparable products are similarly regulated so that investors are afforded equal measures of protection. Another industry commenter indicated that, while the mutual fund industry is moving towards pre-sale delivery of the Fund Facts and the creation of the ETF Facts, the	We disagree with the view that pre-sale delivery of the Fund Facts and the creation of the ETF Facts will cause conventional mutual funds and ETFs to become less attractive investment products for investors and for dealers and their representatives. As is the case of the Fund Facts, we think the

	segregated fund industry is subject to little regulatory change with no foreseeable pre-sale delivery requirement for its summary document. The commenter expressed concern that this disparity could lead to regulatory arbitrary that favours the segregated fund industry.	Final Amendments will provide investors with the opportunity to make more informed investment decisions, by giving investors access to key information about an ETF, in language they can easily understand. In complying with their suitability obligations, our view is that dealers will continue to recommend conventional mutual funds and ETFs to investors and will not substitute these products for another product simply on the basis of assumptions related to the level of compliance burden in delivering the Fund Facts and/or ETF Facts.

Part 8 – List of Commenters

Commenters

- Advocis
- BlackRock Asset Management Canada Limited
- Broadridge Investor Communications Corporation
- Canadian Exchange-Traded Fund Association (CETFA)
- Canadian Foundation for Advancement of Investor Rights (FAIR)
- Elford, Larry
- Fidelity Investments Canada ULC
- Invesco Canada Ltd.

- Investment Funds Institute of Canada (IFIC)
- Investment Industry Association of Canada (IIAC)
- Investor Advisory Panel, Ontario Securities Commission (IAP)
- InvestorCOM Inc.
- Kenmar Associates
- Manulife Securities Incorporated
- Osler, Hoskin & Harcourt LLP
- Portfolio Management Association of Canada (PMAC)
- RBC Global Asset Management Inc.
- Russell Investments Canada Limited
- Small Investor Protection Association (SIPA)
- TD Securities, Inc.