MANDATING A SUMMARY DISCLOSURE DOCUMENT FOR EXCHANGE-TRADED MUTUAL FUNDS AND ITS DELIVERY

CSA NOTICE OF AMENDMENTS TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS* AND TO COMPANION POLICY 41-101CP TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS* AND RELATED CONSEQUENTIAL AMENDMENTS

December 8, 2016

Introduction

The Canadian Securities Administrators (the CSA or we) are making amendments to mandate a summary disclosure document for exchange-traded mutual funds (ETFs). The amendments are to:

- National Instrument 41-101 *General Prospectus Requirements* (the Instrument); and
- Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements* (the Companion Policy).

New Form 41-101F4 *Information Required in an ETF Facts Document* (Form 41-101F4) is part of the Instrument. We are also making related consequential amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* and related changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure* (the Consequential Amendments). We refer to the amendments to the Instrument, the changes to the Companion Policy and the Consequential Amendments together as the Amendments.

The Amendments are part of Stage 3 of the CSA's implementation of the point of sale disclosure project (the POS Project).

The Amendments will require ETFs to produce and file a summary disclosure document called "ETF Facts", which must be made available on the ETF's or the ETF manager's website (the ETF Facts Filing Requirement). The Amendments also introduce a new delivery regime which will require dealers that receive an order to purchase ETF securities to deliver an ETF Facts to investors within two days of the purchase (the ETF Facts Delivery Requirement). Delivery of the prospectus will not be required, but there will be a requirement for the prospectus to be made available to investors upon request, at no cost.

We think the introduction of the ETF Facts will help provide investors with access to key information about an ETF, in language they can easily understand. Delivery of the ETF Facts to investors will also help improve the consistency with which disclosure is provided to investors of ETFs, and help create a more consistent disclosure framework between conventional mutual funds and ETFs. However, delivery of the ETF Facts will be on a post-sale basis while delivery of the Fund Facts is on a pre-sale basis. The CSA expects to consider the feasibility of requiring pre-sale delivery of the ETF Facts. Any proposals in this regard will be subject to the consultation process.

The text of the Amendments follows this Notice and is available on the websites of members of the CSA.

We expect the Amendments to be adopted in each jurisdiction of Canada. While no legislative amendments are needed to implement the ETF Facts Filing Requirement, some jurisdictions will need to seek legislative amendments to implement the ETF Facts Delivery Requirement, as well as investor rights related to failure to deliver the ETF Facts. As of the date of publication of the Amendments (Publication Date), Alberta, Manitoba, New Brunswick, Nova Scotia, Ontario[1], Québec[2], and Saskatchewan have either obtained the necessary legislative amendments, or have determined that legislative amendments are not required. It is anticipated that the remaining jurisdictions will seek to obtain any needed legislative amendments in advance of the expiry of the transition period that will apply to the ETF Facts Delivery Requirement.

Subject to Ministerial approval requirements for rules, the Amendments come into force on March 8, 2017 (In-Force Date), which is 3 months after the Publication Date. The Amendments, as they pertain to the ETF Facts Delivery Requirement, will come into force on a later date in those jurisdictions that require legislative amendments in order to implement the ETF Facts Delivery Requirement.

Background

CSA Staff Notice 81-319 *Status Report on the Implementation of Point of Sale Disclosure for Mutual Funds*[3] outlined the CSA's decision to implement the POS Project in three stages.

The third and final stage of the POS Project consists of three separate workstreams:

1. <u>Pre-sale delivery of the fund facts document (Fund Facts) for conventional mutual funds</u> **–** Since July 2011, every conventional mutual fund has been required to prepare a Fund

[1] In Ontario, legislative amendments have been passed and are awaiting proclamation upon the effective date of the Amendments.
[2] In Québec, legislative amendments to the *Securities Act* (Québec) have been in force since May 18, 2016.
[3] Published on June 18, 2010.

Facts for each class and series. Since June 2014, every dealer has been required to deliver the Fund Facts instead of the prospectus in connection with the purchase of conventional mutual fund securities. On December 11, 2014, the CSA published final amendments implementing the pre-sale delivery of Funds Facts for conventional mutual funds, which became effective on May 30, 2016.

2. CSA mutual fund risk classification methodology – The CSA has developed a mutual fund risk classification methodology (the Risk Methodology) to be applied by fund managers in determining a fund's investment risk level on the scale in the Fund Facts and the ETF Facts. Final rules implementing the Risk Methodology were published today contemporaneously with the Amendments.

3. ETF summary disclosure document and a new delivery model – The Amendments will require the preparation and filing of an ETF Facts and delivery of the ETF Facts within two days of an investor purchasing securities of an ETF.

The ETF Distribution Model

Individual investors seeking to purchase an ETF generally cannot subscribe directly for ETF securities. Instead, they must purchase ETF securities over an exchange. A purchase, however, only results in a distribution when it is a trade in securities of the ETF that have not been previously issued (the Creation Units).

Since the prospectus delivery requirement under securities legislation is triggered by a distribution, prospectus delivery would generally only apply to an investor's purchase if the order is filled with Creation Units. Creation Units are issued by ETFs to dealers that are authorized to purchase newly issued securities directly from the ETF. The dealers, in turn, re-sell these Creation Units on an exchange.[4]

The first re-sale of a Creation Unit on an exchange or another marketplace in Canada will generally constitute a distribution, which triggers the requirement to deliver a prospectus. If, however, the ETF investor's purchase order is filled through a secondary market trade of previously issued existing ETF securities, the prospectus delivery requirement would not apply. However, investors have no way of knowing whether they have purchased Creation Units when they purchase ETF securities.

Exemptive Relief and the Delivery of an ETF Summary Disclosure Document

To deal with issues arising from the ETF distribution model, in Fall 2013, the CSA granted exemptive relief (the Exemptive Relief) to ETF managers and a group of dealers from the existing prospectus delivery requirements under securities legislation in order to permit the delivery of a summary disclosure document (Summary Document) in place of the prospectus.[5]

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[4] This initial re-sale from a "creation unit" on an exchange would be considered a trade in the securities of an issuer that have not been previously issued and a purchase and re-sale by the dealer in the course of or incidental to a distribution.

[5] *In the Matter of BMO Nesbitt Burns Inc. and BMO Investorline Inc.* (July 19, 2013); *In the Matter of CIBC World*

The Exemptive Relief requires dealers that are parties to the relief to deliver to investors a Summary Document within two days of the investor buying an ETF, whether or not the investor's purchase order is filled with Creation Units.[6] This delivery obligation applies to dealers acting as agents of the purchaser on the "buy" side of the transaction, rather than to dealers acting in a distribution on the "sell" side of the transaction, as currently required under securities legislation.

The Amendments, along with related legislative amendments, 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.

Substance and Purpose

Consistent with the principles of the POS Project, we think the 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.[7] Furthermore, investors in conventional mutual funds and ETFs will be treated more equally with respect to the disclosure available in connection with a purchase of securities.

The ETF Facts has been tested with investors and the content of the ETF Facts is also informed by the results of investor testing that was conducted in respect of the Fund Facts. The ETF Facts will allow investors to review key information about the potential benefits, risks and costs of

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Markets Inc. and CIBC Investor Services Inc. (July 19, 2013); *In the Matter of ITG Canada Corp.* (November 18, 2014); *In the Matter of National Bank Financial Inc. and National Bank Direct Brokerage Inc.* (July 19, 2013); *In the Matter of RBC Dominion Securities Inc. and RBC Direct Investing Inc.* (July 19, 2013); *In the Matter of Scotia Capital Inc. and DWM Securities Inc.* (July 19, 2013); *In the Matter of TD Securities Inc. and TD Waterhouse Canada Inc.* (July 19, 2013); *In the Matter of Timber Hill Canada Co.* (November 5, 2014); *In the Matter of Blackrock Asset Management Canada Limited et. al.* (July 19, 2013); *In the Matter of BMO Asset Management Inc. et. al.* (July 19, 2013); *In the Matter of First Asset Investment Management Inc. et. al.* (July 19, 2013); *In the Matter of FT Portfolios Canada Co. et. al.* (July 19, 2013); *In the Matter of Horizons ETFs Management (Canada) Inc. and AlphaPro Management Inc. et. al.* (July 19, 2013); *In the Matter of Invesco Canada Ltd. et. al.* (July 19, 2013); *In the Matter of Purpose Investments Inc. et. al.* (August 6, 2013); *In the Matter of Questrade Wealth Management Inc. et. al.* (January 23, 2015); *In the Matter of RBC Global Asset Management Inc. et. al.* (July 19, 2013); and *In the Matter of Vanguard Investments Canada Inc. et. al.* (July 19, 2013). The Exemptive Relief was subject to a sunset clause and was re-issued in Fall 2015.

[6] Similar to delivery of the Fund Facts, delivery would only be required in instances where the investor has not previously received the latest Summary Document of the ETF.

[7] This is consistent with the International Organization of Securities Commission (IOSCO) Principles on Point of Sale Disclosure published in February 2011. See, for example: Principles on Point of Sale Disclosure, Final Report, Technical Committee of the IOSCO, February 2011; G20 High-level principles on Financial consumer protection, Organization for Economic Co-operation and Development (OECD), October 2011; and Regulation of Retail Structured Products, Consultation Report, IOSCO, April 2013.

Principle 2 of the IOSCO Principles on Point of Sale Disclosure specifies: "*key information should be delivered, or made available, for free, to an investor before the point of sale, so that the investor has the opportunity to consider the information and make an informed decision about whether to invest.*"

investing in an ETF in an accessible format. It also highlights for investors where they can find further information about an ETF. Although delivery can take place within 2 days of purchase, we encourage advisors and investors to use ETF Facts as a tool in their conversations prior to any purchase decision.

Summary of Written Comments Received by the CSA

Proposed amendments introducing the ETF Facts and its delivery were first published for comment by the CSA on June 18, 2015 (the 2015 Proposal). The proposed ETF Facts published in the 2015 Proposal was tested with investors and its content was informed by the results of the testing. The testing results are set out in the final report, "*CSA Point of Sale Disclosure Project: ETF Facts Document Testing,*" which is available on the websites of the Ontario Securities Commission and the Autorité des marchés financiers at www.osc.gov.on.ca and www.lautorite.qc.ca, respectively. Copies are also available from any CSA member.

We received 20 comment letters on the 2015 Proposal. Generally, commenters were supportive of the codification of the Exemptive Relief, the introduction of the ETF Facts and the delivery requirement for the ETF Facts. Commenters also expressed support of providing a consistent disclosure framework between conventional mutual funds and ETFs. However, we were asked to re-consider the quantitative data in the proposed ETF Facts. Specifically, commenters told us that the Average Premium/Discount to NAV metric is difficult for investors to understand and is calculated using end of day values which may not be reflective of investor experience during the majority of the trading day. As a result of stakeholder feedback, we have removed the requirement to disclose the Average Premium/Discount to NAV from the "Pricing Information" section and the "Trading ETFs" section (formerly, the "How ETFs are Priced" section).

Some commenters also noted that the ETF Facts Delivery Requirement differs from the delivery requirement of the Summary Document under the terms of the Exemptive Relief. The ETF Facts will be required to be delivered to every purchaser of ETF securities, subject to certain exceptions, whereas the Summary Document was only required to be delivered to every investor who received a trade confirmation. While the 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. The Exemptive Relief was intended as an interim measure until such time that relevant rule-making and legislative amendments could be implemented.

Copies of the comment letters have been posted on the Ontario Securities Commission website at www.osc.gov.on.ca and on the Autorité des marches financiers website at www.lautorite.qc.ca. You can find the names of the commenters and a summary of comments and our responses to those comments in Annex C to this Notice.

Summary of the Amendments

After considering the comments received, we have made some changes to the 2015 Proposal. See Annex B to this Notice for a summary of the key changes made to the 2015 Proposal. Those revisions are reflected in the Amendments that we are publishing as Annexes to this Notice. As these changes are not material, we are not republishing the Amendments for a further comment period.

Application

The Amendments apply only to ETFs.

ETF Facts

The creation of a summary disclosure document that highlights key information that is important for investors to consider when they purchase an investment product has been a central component of the POS Project. As was the case for the Fund Facts, the ETF Facts is a critical element of the new delivery regime for ETFs.

The starting point for the development of the ETF Facts was the Fund Facts, which was the result of extensive research, consultation and testing. Like the Fund Facts, the ETF Facts is required to be in plain language, no more than two pages double-sided and highlights key information that is important to investors, including risks, past performance, and the costs of investing in an ETF.

Although ETFs are substantially similar to conventional mutual funds, they are different in one significant aspect. Individual investors cannot subscribe for ETF securities directly from the fund. Instead, ETF securities are bought and sold over an exchange like stocks. Therefore, we have included additional content in the ETF Facts that speaks to trading and pricing characteristics of ETFs. For example, we have included information related to market price, volume and bid-ask spread. We have also included content that explains some of the issues to consider when trading ETFs.

The form requirements for the ETF Facts are set out in the Amendments as Form 41-101F4. A separate ETF Facts is required for each class or series of securities of an ETF. For illustrative purposes, a sample ETF Facts is set out as Annex A to this Notice. While we have removed the requirement to disclose average premium/discount to NAV and we have made some changes to the information provided in respect of trading ETFs, no substantive changes have been made. A more detailed discussion of these changes is provided in Annex B to this Notice.

The CSA has developed a mutual fund risk classification methodology (the Risk Methodology) for use in the Fund Facts and the ETF Facts. The "risk rating" in the ETF Facts must be determined according to the Risk Methodology, which will come into effect on the same date that the ETF Facts Filing Requirement comes into effect. The ETF Facts also incorporates disclosure changes that were made to the Fund Facts as a result of the Risk Methodology.

Filing Requirements

The ETF Facts must be filed concurrently with the ETF's prospectus. The certificate page for the ETF, which verifies the disclosure in the prospectus, applies to the ETF Facts just as it applies to all documents incorporated by reference into the prospectus.

If a material change to the ETF relates to a matter that requires a change to the disclosure in the ETF Facts, an amendment to the ETF Facts must be filed. If ETF managers want to update information in the ETF Facts at their discretion, they may choose to amend the ETF Facts at any time. In all instances, an amendment to an ETF Facts must be accompanied by an amendment to the ETF's prospectus. In cases where the ETF prospectus would not have any changes, it would be sufficient to simply file an updated certificate page.

Any ETF Facts filed after the date of the prospectus is intended to supersede the ETF Facts previously filed. Once filed, the ETF Facts must be posted to the ETF's or the ETF manager's website.

No changes have been made to the ETF Facts Filing Requirement from what was contained in the 2015 Proposal.

Delivery of the ETF Facts Instead of the Prospectus

The Amendments require delivery of the most recently filed ETF Facts to a purchaser within two days of purchase of ETF securities, pursuant to the ETF Facts Delivery Requirement. The ETF Facts Delivery Requirement shifts the current prospectus delivery obligation under securities legislation from the dealer acting as underwriter in an ETF distribution (the "sell" side of an ETF transaction) to the dealer when acting as agent of the purchaser of an ETF security (the "buy" side of an ETF transaction). The ETF Facts Delivery Requirement also provides a carve-out from the existing prospectus delivery requirement for ETF securities.

Consistent with securities legislation in some jurisdictions today, the Amendments do not require delivery of the ETF Facts if the purchaser has already received the most recently filed ETF Facts.

The Amendments restrict the documents that may be combined with the ETF Facts on delivery.

We have not made any changes to an ETF's obligation to file its prospectus. There will be a requirement to provide investors with a copy of the prospectus upon request, at no cost.

The method for delivery of the ETF Facts is expected to be consistent with the method for delivery of a prospectus under securities legislation. For example, it could be in person, by mail, by fax, electronically or by other means. Access will not equal delivery, nor will a referral to the website on which the ETF Facts is posted.

No changes have been made to the ETF Facts Delivery Requirement from what was contained in the 2015 Proposal.

Investor Rights

Right for failure to deliver the ETF Facts

If the investor does not receive the ETF Facts, the investor has a right to seek damages or to rescind the purchase. The rights of the investor for failure of delivery of the ETF Facts has been or will be enacted by legislative amendments and will be consistent with the rights under securities legislation today for failure to deliver the prospectus within two days of purchasing securities of an ETF.

Right for withdrawal of purchase

The Amendments do not extend the current right of withdrawal of purchase to investors of ETF securities. 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. As indicated, not all ETF purchases are distributions. Only purchase orders filled with Creation Units trigger a prospectus delivery requirement and would therefore also be subject to a withdrawal right. As a result, this right does not today apply to all ETF investors, nor is there a way for an ETF investor today to know whether they have received Creation Units and are therefore eligible for a withdrawal right.

In some jurisdictions, investors have a right of rescission with delivery of the trade confirmation for the purchase of mutual fund securities, including ETF securities.[8] This right remains unchanged under the Amendments.

Right for misrepresentation

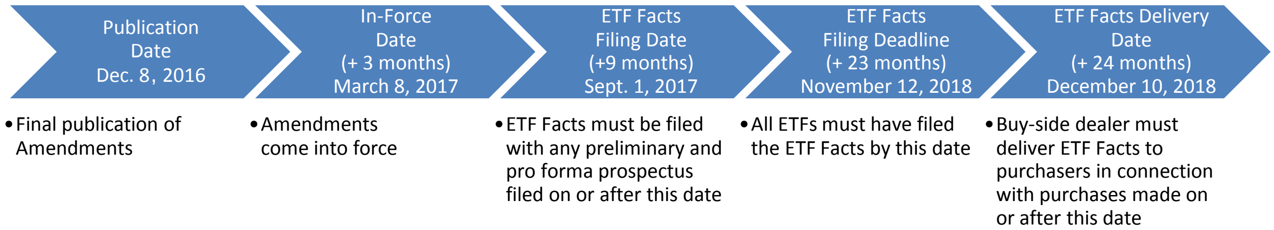
The ETF Facts is incorporated by reference into the prospectus which means that the existing statutory rights of investors that apply for misrepresentations in a prospectus will also apply to misrepresentations in the ETF Facts. Furthermore, as most ETF purchases occur on the secondary market, investors may also have a right of action for civil liability for secondary market disclosure.

Transition

The Amendments have two transition periods. The first transition period relates to the ETF Facts Filing Requirement and the second transition period relates to the ETF Facts Delivery Requirement. We anticipate the Amendments will be proclaimed into force on the In-Force Date.

The transition period timeline in the Amendments is illustrated below:

[8] 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.
In Québec, sections 109.8 and 109.9 of the *Securities Act* (Québec) apply.



Due to the coming into force of the Québec legislative amendments on May 18, 2016, the Autorité des marchés financiers will issue a blanket order exempting ETF managers and dealers from the application of some sections of the Québec *Securities Act* and the Instrument so that they can benefit from similar transition periods and effects as those provided by the amendments to the Instrument in the other Canadian jurisdictions.

ETF Facts Filing Requirement

The ETF Facts Filing Requirement will take effect on September 1, 2017, which is approximately 9 months after the Publication Date (the ETF Facts Filing Date). ETF managers will have 6 months from the In-Force Date to make any changes to compliance and operational systems that are necessary to produce the ETF Facts.

As of the ETF Facts Filing Date, an ETF that files a preliminary or pro forma prospectus must concurrently file an ETF Facts for each class or series of securities of the ETF offered under the prospectus and post the ETF Facts to the ETF's or ETF manager's website. Until such time, ETF managers that are subject to the Exemptive Relief will continue to prepare and file the Summary Document.

In order to fully implement the Amendments within a reasonable time period, an ETF manager must, if it has not already done so, file an ETF Facts for each class or series of securities of the ETF by November 12, 2018, which is approximately 14 months of the ETF Facts Filing Date. Based on the prospectus renewal cycle for ETFs, we anticipate that it would take approximately 13 months for ETF Facts to be filed for all ETFs. This final deadline date, however, will ensure that ETF Facts for all ETFs will be available prior to the effective date of the ETF Facts Delivery Requirement.

ETF Facts Delivery Requirement

The ETF Facts Delivery Requirement will take effect on December 10, 2018, which is approximately 24 months after the Publication Date.

During the transition period, dealers that are subject to Exemptive Relief will be required to deliver either the most recently filed ETF Facts or, until the initial ETF Facts is filed, the most recently filed Summary Document. The sunset provisions of the Exemptive Relief will generally expire by the end of the transition period for the Amendments. We do not anticipate that there will be any significant issues related to the transition from the delivery of the Summary Document to delivery of the ETF Facts.

Dealers that are not subject to the Exemptive Relief will have 21 months from the In-Force Date to make any changes to compliance and operational systems that are necessary to effect ETF Facts delivery.

Anticipated Costs and Benefits

We think the introduction and delivery of the ETF Facts, as set out in the Amendments, would benefit both investors and market participants by helping address the “information asymmetry” that exists between participants in the ETF industry and investors. Unlike industry participants, investors often do not have key information about an ETF and may not know where to find the information. We also know that many investors do not use the information in the prospectus because they have trouble finding and understanding the information they need. The CSA designed the ETF Facts to make it easier for investors to find and use key information, which should help bridge this information gap.

The Amendments would also improve the consistency with which disclosure is provided to investors of ETFs and help create a more consistent disclosure framework between conventional mutual funds and ETFs.

The earlier publications related to the POS Project outlined some of the anticipated costs and benefits of implementation of the point of sale disclosure regime for mutual funds. We consider the costs and benefits set out in prior publications to still be valid and we consider them to be equally applicable to ETFs.[9] You can find these documents on the websites of members of the CSA.

Overall, we continue to believe that the potential benefits of the changes to the disclosure regime for ETFs as contemplated by the Amendments are proportionate to the costs of making them.

Local Matters

Annex H to this Notice is being published in any local jurisdiction that is making related changes to local securities laws, including local notices or other policy instruments in that jurisdiction. It also includes any additional information relevant to that jurisdiction only.

Some jurisdictions may require amendments to local securities legislation, in order to implement the Amendments. If statutory amendments are necessary in a jurisdiction, these changes will be initiated and published by the local provincial or territorial government.

Unpublished Materials

In developing the Amendments, we have not relied on any significant unpublished study, report or other written materials.

Contents of Annexes

[9] The costs and benefits of pre-sale delivery are not applicable as the Amendments only contemplate delivery of the ETF Facts within two days of purchase of ETF securities.

The text of the Amendments is contained in the following annexes to this Notice and is available on the websites of members of the CSA:

Annex A – Sample ETF Facts Template

Annex B – Summary of Changes to the 2015 Proposal

Annex C – Summary of Public Comments and CSA Responses

Annex D – Amendments to National Instrument 41-101 *General Prospectus Requirements*

Annex E – Changes to Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements*

Annex F – Amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure*

Annex G – Changes to Companion Policy 81-106CP to National Instrument 81-106 *Investment Fund Continuous Disclosure*

Annex H – Local Information

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XYZ S&P/TSX 60 Index ETF

ETF FACTS
July 30, 20XX
XYZ

This document contains key information you should know about XYZ S&P/TSX 60 Index ETF. You can find more details about this exchange-traded fund (ETF) in its prospectus. Ask your representative for a copy, contact XYZ ETFs at 1-800-555-5555 or investing@xyzetfs.com, or visit www.xyzetfs.com.

Before you invest, consider how the ETF would work with your other investments and your tolerance for risk.

Quick facts

Date ETF started	March 31, 20XX
Total value on June 1, 20XX	$220.18 million
Management expense ratio (MER)	0.20%
Fund manager	XYZ ETFs
Portfolio manager	Capital Asset Management Ltd.
Distributions	Quarterly

Trading information

(12 months ending June 1, 20XX)

Ticker symbol	XYZ
Exchange	TSX
Currency	Canadian dollars
Average daily volume	308,000 units
Number of days traded	249 out of 251 trading days

Pricing information

(12 months ending June 1, 20XX)

Market price	$9.50-$13.75
Net asset value (NAV)	$9.52-$13.79
Average bid-ask spread	0.07%

What does the ETF invest in?

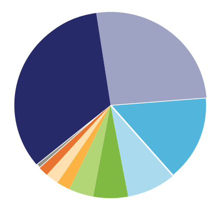
This ETF invests in the same companies and in the same proportions as the S&P/TSX 60 Index. The S&P/TSX 60 Index is made up of 60 of the largest (by market capitalization) and most liquid securities listed on the Toronto Stock Exchange (TSX), as determined by S&P Dow Jones Indices.

The charts below give you a snapshot of the ETF's investments on June 1, 20XX. The ETF's investments will change to reflect changes in the S&P/TSX Index.

Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%
Total percentage of top 10 investments	**42.0%**
Total number of investments	**60**

Investment mix (June 1, 20XX)



Industry

Financial services	33.9%
Energy	26.1%
Materials	15.0%
Industrials	8.2%
Consumer discretionary	5.9%
Telecommunication	4.1%
Healthcare	2.3%
Consumer staples	2.0%
Information technology	1.9%
Media	0.6%

How risky is it?

The value of the ETF can go down as well as up. You could lose money.

One way to gauge risk is to look at how much an ETF's returns change over time. This is called "volatility". In general, ETFs with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. ETFs with lower volatility tend to have returns that change less over time. They typically have lower returns and may have a lower chance of losing money

Risk rating

XYZ ETFs has rated the volatility of this ETF as **medium**. This rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.

LOW	LOW TO MEDIUM	**MEDIUM**	MEDIUM TO HIGH	HIGH

For more information about the risk rating and specific risks that can affect the ETF's returns, see the Risk section of the ETF's prospectus.

No guarantees

ETFs do not have any guarantees. You may not get back the amount of money you invest.

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How has the ETF performed?

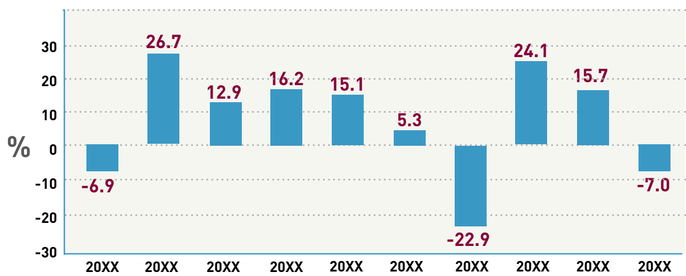
This section tells you how units of the ETF have performed over the past 10 years.

Returns[1] are after expenses have been deducted. These expenses reduce the ETF's returns. This means that the ETF's returns may not match the returns of the S&P/TSX Index.

Year-by-year returns

This chart shows how units of the ETF performed in each of the past 10 years. The ETF dropped in value in 3 of the 10 years.

The range of returns and change from year to year can help you assess how risky the ETF has been in the past. It does not tell you how the ETF will perform in the future.



Best and worst 3-month returns

This table shows the best and worst returns for units of the ETF in a 3-month period over the past 10 years. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

	Return	3 months ending	If you invested $1,000 at the beginning of the period
Best return	32.6%	Apr. 30, 20XX	Your investment would rise to $1,326.
Worst return	-24.7%	Nov. 30, 20XX	Your investment would drop to $753.

Trading ETFs

ETFs hold a basket of investments, like mutual funds, but trade on exchanges like stocks. Here are a few things to keep in mind when trading ETFs:

Pricing

ETFs have two sets of prices: market price and net asset value (NAV).

Market price

- ETFs are bought and sold on exchanges at the market price. The market price can change throughout the trading day. Factors like supply, demand, and changes in the value of an ETF's investments can affect the market price.
- You can get price quotes any time during the trading day. Quotes have two parts: **bid** and **ask**.
- The bid is the highest price a buyer is willing to pay if you want to sell your ETF units. The ask is the lowest price a seller is willing to accept if you want to buy ETF units. The difference between the two is called the "**bid-ask spread**".
- In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.

Net asset value (NAV)

- Like mutual funds, ETFs have a NAV. It is calculated after the close of each trading day and reflects the value of an ETF's investments at that point in time.
- NAV is used to calculate financial information for reporting purposes – like the returns shown in this document.

Orders

There are two main options for placing trades: market orders and limit orders. A market order lets you buy or sell units at the current market price. A limit order lets you set the price at which you are willing to buy or sell units.

Timing

In general, market prices of ETFs can be more volatile around the start and end of the trading day. Consider using a limit order or placing a trade at another time during the trading day.

Who is this ETF for?

Investors who:

- are looking for a long-term investment
- want to invest in a broad range of stocks of Canadian companies
- can handle the ups and downs of the stock market.

! Don't buy this ETF if you need a steady source of income from your investment.

A word about tax

In general, you'll have to pay income tax on any money you make on an ETF. How much you pay depends on the tax laws where you live and whether or not you hold the ETF in a registered plan, such as a Registered Retirement Savings Plan or a Tax-Free Savings Account.

Keep in mind that if you hold your ETF in a non-registered account, distributions from the ETF are included in your taxable income, whether you get them in cash or have them reinvested.

[1] Returns are calculated using the ETF's net asset value (NAV).

How much does it cost?

This section shows the fees and expenses you could pay to buy, own and sell units of the ETF. Fees and expenses – including any trailing commissions – can vary among ETFs.

Higher commissions can influence representatives to recommend one investment over another. Ask about other ETFs and investments that may be suitable for you at a lower cost.

1. Brokerage commissions

You may have to pay a commission every time you buy and sell units of the ETF. Commissions may vary by brokerage firm. Some brokerage firms may offer commission-free ETFs or require a minimum purchase amount.

2. ETF expenses

You don't pay these expenses directly. They affect you because they reduce the ETF's returns.

As of March 31, 20XX, the ETF's expenses were 0.21% of its value. This equals $2.10 for every $1,000 invested.

	Annual rate (as a % of the ETF's value)
Management expense ratio (MER) This is the total of the ETF's management fee and operating expenses. XYZ ETFs waived some of the ETF's expenses. If it had not done so, the MER would have been higher.	0.20%
Trading expense ratio (TER) These are the ETF's trading costs.	0.01%
ETF expenses	**0.21%**

Trailing commission

The trailing commission is an ongoing commission. It is paid for as long as you own the ETF. It is for the services and advice that your representative and their firm provide to you.

This ETF doesn't have a trailing commission.

What if I change my mind?

Under securities law in some provinces and territories, you have the right to cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the prospectus, ETF Facts or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

For more information

Contact XYZ ETFs or your representative for a copy of the ETF's prospectus and other disclosure documents. These documents and the ETF Facts make up the ETF's legal documents.

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ANNEX B

SUMMARY OF CHANGES TO THE 2015 PROPOSAL

This Annex describes the key changes we made to the 2015 Proposal in response to the comments received. We do not consider these changes to be material.

The changes include the following:

ETF Facts

- **Dividend Reinvestment Plan (DRIP) – Item 2(1), Part I, Form 41-101F4**

  We removed the requirement to disclose whether the ETF has a dividend reinvestment plan.

- **Average Bid-Ask Spread – Item 2(3), Part I, Form 41-101F4**

  We revised the instructions to calculate the 12 month average bid-ask spread of a $50,000 trade determined using the visible bid and ask orders available on the primary exchange and, where required, on other Canadian marketplaces.

- **Average Premium/Discount to NAV – Item 2(3) and Item 7, Part I, Form 41-101F4**

  We removed the average premium/discount to NAV from the “Pricing Information” section and the “How ETFs are Priced” section of the ETF Facts.

- **Updated Information on Websites – Item 2(4), Part I, Form 41-101F4**

  We added an optional cross-reference to the website of the ETF, ETF’s family or fund manager where updated information under the “Quick Facts”, “Trading Information” and “Pricing Information” of the ETF Facts is posted.

- **Trading ETFs – Item 7, Part I, Form 41-101F4**

  We renamed the “How ETFs are Priced” section in the ETF Facts to “Trading ETFs” and revised the disclosure to provide information about pricing, orders and timing of ETF trades.

- **Brokerage Commissions – Item 1, Part II, Form 41-101F4**

  We revised the disclosure under “Brokerage Commissions” to indicate that a brokerage commission may be payable every time an investor buys or sells ETF securities.

- **Management Expense Ratio (MER) – Item 3.6(4) and Item 11.1, Form 41-101F2**

  We removed the requirement for ETFs to disclose the MER from the most recently filed annual management report of fund performance in the prospectus.

- **Investment Risk Classification Methodology – Item 12.2, Form 41-101F2**

  We added a requirement to provide a description of the standardized investment risk classification methodology used to determine the ETF's investment risk level, how to obtain a copy of the methodology and a description of the reference index, if any.

ANNEX C

SUMMARY OF PUBLIC COMMENTS ON MANDATING A SUMMARY DISCLOSURE DOCUMENT FOR MUTUAL FUNDS AND ITS DELIVERY (JUNE 18, 2015)

Table of Contents

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

Issue	**Comments**	**Responses**
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	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

	active holdings of the ETF.	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	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

	compared to the quoted price of the ETF on the secondary market.	important for the average retail investor who 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	We are requiring that the bid-ask spread be calculated at one second intervals starting 15

	what point in time should the bid-ask spread be calculated for a particular day given that bid-ask spreads can change throughout the day.	minutes after the opening of the trading day and ending 15 minutes before the closing of the trading 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.	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.
	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.	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.
	Exchange	
	One commenter suggested that since all ETFs are	We do not propose to make any changes to this

	primarily listed on the TSX, this component of the Quick Facts should be deleted altogether. If the CSA decide to retain this component, the commenter suggested replacing "Exchange" with "Primary Exchange".	item because not all ETFs are primarily traded on 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	We agree with the majority of commenters and are of the view that, on balance, the benefits of

	trades. Commenters suggested that this would 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. 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. 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. 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	including odd lot trades outweigh excluding such trades. 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. 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. 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

	NAV would only look at end of day values. Given that intra-day volatility of market prices 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.	metric from the ETF Facts, we are of the view 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 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.

	the price of the ETF can be expected to move with the price of the underlying portfolio assets.	
	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	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

	lot trades. This discussion should also emphasize that liquidity considerations come into play both at the time of purchase as well as when the ETF investment is disposed of. ***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.	transaction volume, we note that it tested well with investors who understood what transaction volume referred to. 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	A number of commenters provided suggestions	

whether there are other disclosure items/topics that should be added to reflect the differences between ETFs and conventional mutual funds	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 ETFs, the ETF Facts should disclose the	 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.

	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	Distribution information is required to be

	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. ***Duration & term to maturity*** One commenter suggested inclusion of weighted average duration and term to maturity for fixed income ETFs. ***Portfolio turnover*** One commenter suggested inclusion of portfolio turnover information as this would give the reader a sense of tax exposure.	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. 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. We do not propose requiring such disclosure in the ETF Facts as it is not required disclosure in 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,	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

	derivatives risk, trading and liquidity risk, counterparty risk and currency risk as important risks that needed to be highlighted.	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 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	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 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.

	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 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		
Issue	**Comments**	**Responses**
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 comment on the impact a 21 month transition period might have in terms of cost, systems implications, and potential changes to	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 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	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. 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

current sales practices.	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. The commenter suggested that the ideal effective date for the ETF Facts delivery requirement would be sometime during the summer months.	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 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	One industry association expressed support for the transition period for ETF Facts filing contemplated by the Proposed Amendments.	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

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.	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 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	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.

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

Part 6 – Issue for Comment – Right of Withdrawal of Purchase		
Issue	**Comments**	**Responses**
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 Proposed Amendments do not extend the right of withdrawal of purchase to investors for the delivery of the ETF Facts. In some jurisdictions, investors	***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 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	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.

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.	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 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	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

[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.

	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.	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.
	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.	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	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

	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.	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		
Issue	**Comments**	**Responses**
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	The section "Trading ETFs" provides a brief description of ETFs and also provides some information about how to trade ETFs.

	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.	The definition of ETF is consistent in the Final 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.	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.
	(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 trading and pricing information, some of which may need to be sourced from third party providers or calculated manually.	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.
	(vi) As of dates – One investor advocate recommended that an "as of date" be provided for the items listed under "Pricing Information". All	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

	data and performance information should show the applicable dates or periods. The dates should be consistent throughout the ETF Facts.	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	We confirm that the disclosure under "How has the ETF performed?" relating to the ETF's

	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.	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.
	One investor advocate recommended that this section should be moved up after "How has the ETF performed?"	It is important that the ETF Facts recognize the 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 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	Both the ETF Facts and the Fund Facts prescribes the disclosure "Higher commission can influence representatives to recommend one 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

	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.	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. 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	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.

	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	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.

	investor's returns are reduced.	
	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 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,	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 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

	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.	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 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.	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 "Trailing commission" in the ETF Facts irrespective of whether an ETF pays trailing commissions.

	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.	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.	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

	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?	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 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 textbox disclosure for leveraged ETFs, inverse ETFs and commodity pools tested well with investors. The investor document testing 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.

	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.	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 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	The first step of this initiative involves the codification of Exemptive Relief granted in 2013. 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

[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.

	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 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	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. 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.

	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 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.	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.
	One industry association urged the CSA to reconsider "access equals delivery" for point of 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.	As we have previously stated throughout the various stages of the POS disclosure initiative for the Fund Facts, we do not consider "access equals delivery" to meet the principles set out in the point of sale disclosure framework.
	Another industry association asked the CSA to	Other than the timing of delivery, the delivery

	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.	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 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.	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 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.

	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.	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	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

	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 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.	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.
12. Educational Materials	Four investor advocates recommended that the	We agree that investor education is a key aspect

	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.	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 information in the ETF Facts or that a particular ETF was risky.	The results of the investor testing of the proposed ETF Facts helped to inform the content of the ETF Facts form requirements which were 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

	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.	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. 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 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.	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 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	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.

	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.	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 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.	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. 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*	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

	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.	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 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.	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 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
<u>Commenters</u> • 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.

ANNEX D

AMENDMENTS TO
NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. National Instrument 41-101 General Prospectus Requirements is amended by this Instrument.

2. Section 1.1 is amended by adding the following definitions:

"ETF" or "exchange-traded mutual fund" means a mutual fund in continuous distribution, the securities of which are

(a) listed on an exchange, and

(b) trading on an exchange or an alternative trading system;

"ETF facts document" means a completed Form 41-101F4;

"Form 41-101F4" means Form 41-101F4 *Information Required in an ETF Facts Document* of this Instrument;**.**

3. Subsection 1.2(6) is amended by replacing "and Form 41-101F3***" with "***, Form 41-101F3 and Form 41-101F4***".***

4. Subsection 2.1(1) is replaced with the following:

(1) Subject to subsection (2), this Instrument applies to a prospectus filed under securities legislation, a distribution of securities subject to the prospectus requirement and a purchase of securities of an ETF.**.**

5. The following Parts are added:

(a) **PART 3B: ETF Facts Document Requirements**

3B.1 Application

This Part applies only to an ETF.

3B.2 Plain language and presentation

(1) An ETF facts document must be prepared using plain language and be in a format that assists in readability and comprehension.

(2) An ETF facts document must

(a) be prepared for each class and each series of securities of an ETF in accordance with Form 41-101F4,

(b) present the items listed in the Part I section of Form 41-101F4 and the items listed in the Part II section of Form 41-101F4 in the order stipulated in those parts,

(c) use the headings and sub-headings stipulated in Form 41-101F4,

(d) contain only the information that is specifically required or permitted to be in Form 41-101F4,

(e) not incorporate any information by reference, and

(f) not exceed four pages in length.

3B.3 Preparation in the required form

Despite provisions in securities legislation relating to the presentation of the content of a prospectus, an ETF facts document for an ETF must be prepared in accordance with this Instrument.

3B.4 Websites

(1) If an ETF or the ETF's family has a website, the ETF must post to at least one of those websites an ETF facts document filed under this Part as soon as practicable and, in any event, within 10 days after the date that the document is filed.

(2) An ETF facts document posted to the website referred to in subsection (1) must

(a) be displayed in a manner that would be considered prominent to a reasonable person; and

(b) not be combined with another ETF facts document.

(3) Subsection (1) does not apply if the ETF facts document is posted to a website of the manager of the ETF in the manner required under subsection (2).***;***

(b) **PART 3C: Delivery of ETF Facts Documents for Investment Funds**

3C.1 Application

This Part applies only to an ETF.

3C.2 Obligation to deliver ETF facts documents

(1) The obligation to deliver or send a prospectus under securities legislation does not apply in respect of an ETF.

(2) A dealer acting as agent for a purchaser who receives an order for the purchase of a security of an ETF must, unless the dealer has previously done so, deliver or send to the purchaser the most recently filed ETF facts document for the applicable class or series of securities of the ETF not later than midnight on the second business day after entering into the purchase of the security.

(3) In Nova Scotia, an ETF facts document is a prescribed disclosure document for the purposes of subsection 76(1A) of the *Securities Act* (Nova Scotia).

(4) In Nova Scotia, a security of an ETF is a prescribed investment fund security for the purposes of subsections 76(1B) and (1C) of the *Securities Act* (Nova Scotia).

(5) In Ontario, an ETF facts document is a disclosure document prescribed under subsection 71(1.1) of the *Securities Act* (Ontario).

(6) In Ontario, a security of an ETF is an investment fund security prescribed for the purposes of subsections 71(1.2) and (1.3) of the *Securities Act* (Ontario).

3C.3 Combinations of ETF facts documents for delivery purposes

(1) An ETF facts document delivered or sent under section 3C.2 must not be combined with any other materials or documents including, for greater certainty, another ETF facts document, except one or more of the following:

(a) a general front cover pertaining to the package of combined materials and documents;

(b) a trade confirmation which discloses the purchase of securities of the ETF;

(c) an ETF facts document of another ETF if that ETF facts document is also being delivered or sent under section 3C.2;

(d) the prospectus of the ETF;

(e) any material or document incorporated by reference into the prospectus;

(f) an account application document;

(g) a registered tax plan application or related document.

(2) If a trade confirmation referred to in subsection (1)(b) is combined with an ETF facts document, any other disclosure documents required to be delivered or sent to satisfy a regulatory requirement for purchases listed in the trade confirmation may

be combined with the ETF facts document.

(3) If an ETF facts document is combined with any of the materials or documents referred to in subsection (1), a table of contents specifying all documents must be combined with the ETF facts document, unless the only other documents combined with the ETF facts document are the general front cover permitted under paragraph (1)(a) or the trade confirmation permitted under paragraph (1)(b).

(4) If one or more ETF facts documents are combined with any of the materials or documents referred to in subsection (1), only the general front cover permitted under paragraph (1)(a), the table of contents required under subsection (3) and the trade confirmation permitted under paragraph (1)(b) may be placed in front of those ETF facts documents.

3C.4 Combinations of ETF facts documents for filing purposes

For the purposes of sections 6.2, 9.1 and 9.2, an ETF facts document may be combined with another ETF facts document in a prospectus.

3C.5 Time of receipt

(1) For the purpose of this Part, where the latest ETF facts document referred to in subsection 3C.2(2) is sent by prepaid mail, it shall be deemed conclusively to have been received in the ordinary course of mail by the person or company to whom it was addressed.

(2) Subsection (1) does not apply in Ontario.

(3) Subsection (1) does not apply in Québec.

3C.6 Dealer as agent

(1) For the purpose of this Part, a dealer acts as agent of the purchaser if the dealer is acting solely as agent of the purchaser with respect to the purchase and sale in question and has not received and has no agreement to receive compensation from or on behalf of the vendor with respect to the purchase and sale.

(2) Subsection (1) does not apply in Ontario.

(3) Subsection (1) does not apply in Québec.

3C.7 Purchaser's right of action for failure to deliver or send

(1) A purchaser has a right of action if an ETF facts document is not delivered or sent as required by subsection 3C.2(2), as the purchaser would otherwise have when a prospectus is not delivered or sent as required under securities legislation and, for

that purpose, an ETF facts document is a prescribed document under the statutory right of action.

(2) In Alberta, instead of subsection (1), section 206 of the *Securities Act* (Alberta) applies.

(3) In Manitoba, instead of subsection (1), section 141.2 of the *Securities Act* (Manitoba) applies and the ETF facts document is a prescribed document for the purposes of section 141.2.

(4) In Nova Scotia, instead of subsection (1), section 141 of the *Securities Act* (Nova Scotia) applies.**.**

(5) In Ontario, instead of subsection (1), section 133 of the *Securities Act* (Ontario) applies.

(6) In Québec, instead of subsection (1), section 214.1 of the *Securities Act* (Québec) applies.**.**

6. Section 6.1 is amended by adding the following subsection:

(4) An amendment to an ETF facts document must be prepared in accordance with Form 41-101F4 without any further identification, and dated as of the date the ETF facts document is being amended.**.**

7. Section 6.2 is amended by deleting "and***" at the end of paragraph (c), by replacing*** "." ***at the end of paragraph (d) with "***, and***" and by adding the following paragraph:***

(e) in the case of an ETF, if the amendment relates to information in the ETF facts document,

(i) file an amendment to the ETF facts document, and

(ii) deliver to the regulator a copy of the ETF facts document, blacklined to show changes, including text deletions, from the latest ETF facts document previously filed.**.**

8. The Instrument is amended by adding the following section:

6.2.1 Required documents for filing an amendment to an ETF facts document – An ETF that files an amendment to an ETF facts document must, unless section 6.2 applies,

(a) file an amendment to the corresponding prospectus, certified in accordance with Part 5,

(b) deliver to the regulator a copy of the ETF facts document, blacklined to show changes, including text deletions, from the latest ETF facts document previously filed, and

(c) file or deliver any other supporting documents required under this Instrument or other securities legislation, unless the documents originally filed or delivered are correct as of the date the amendment is filed**.**.

9. Section 9.1 is amended

(a) in paragraph (1)(a) by adding the following subparagraph:

(iv.2) if the issuer is an ETF, in addition to the documents filed under subparagraph (iv), an ETF facts document for each class or series of securities of the ETF;***; and***

(b) by replacing subparagraph (1)(b)(i) with the following:

(i) **Blackline Copy of the Prospectus –** in the case of a pro forma prospectus, a copy of the pro forma prospectus blacklined to show changes and the text of deletions from the latest prospectus filed;

(i.1) **Blackline Copy of the ETF Facts Document –** in the case of a pro forma prospectus for an ETF, a copy of the pro forma ETF facts document for each class or series of securities of the ETF blacklined to show changes and the text of deletions from the latest ETF facts document previously filed;**.**

10. Section 9.2 is amended

(a) in subparagraph (a)(ii) by replacing "9.1(a)(ii)***" with "***9.1(1)(a)(ii)***",***

(b) in subparagraph (a)(iii) by replacing "9.1(a)(iii)" ***with*** "9.1(1)(a)(iii)"***,***

(c) by replacing subparagraph (a)(iv) with the following:

(iv) **Investment Fund Documents –** a copy of any document described under subparagraph 9.1(1)(a)(iv), (iv.1) or (iv.2) that has not previously been filed;**,**

(d) in clause (a)(v)(B) by replacing "9.1(a)(v) or 9.1(a)(vi)***" with "***9.1(1)(a)(v) or (vi)***", and***

(e) by replacing subparagraph (b)(i) with the following:

(i) **Blackline Copy of the Prospectus –** a copy of the final long form prospectus blacklined to show changes from the preliminary or pro forma long form prospectus;

(i.1) **Blackline Copy of the ETF Facts Document –** in the case of a final long form prospectus for an ETF, a copy of the ETF facts document for each class or series of securities of the ETF blacklined to show changes and the text of deletions from the preliminary or *pro forma* ETF facts document;**.**

11. The Instrument is amended by adding the following section to Part 15:

15.3 Documents to be delivered or sent upon request

(1) An ETF must deliver or send to any person or company that requests the prospectus of the ETF or any of the documents incorporated by reference into the prospectus, a copy of the prospectus or requested document.

(2) A document requested under subsection (1) must be delivered or sent within three business days of receipt of the request and free of charge.**.**

12. Form 41-101F2 Information Required in an Investment Fund Prospectus is amended

(a) by replacing item 1.15 under **"Documents Incorporated by Reference"** ***with the following:***

For an investment fund in continuous distribution, state in substantially the following words:

"Additional information about the fund is available in the following documents:

- the most recently filed ETF Facts for each class or series of securities of the ETF; *[insert if applicable]*
- the most recently filed annual financial statements;
- any interim financial reports filed after those annual financial statements;
- the most recently filed annual management report of fund performance;
- any interim management report of fund performance filed after that annual management report of fund performance.

These documents are incorporated by reference into this prospectus which means that they legally form part of this prospectus. Please see the "Documents Incorporated by Reference" section for further details."***;***

(b) by replacing "Under***" in item 3.6(4) with "***For investment funds other than mutual funds, under***";***

(c) ***by replacing "***Under***" in item 11.1 with "***For investment funds other than mutual funds, under***";***

(d) ***by adding the following item:***

12.2 Investment Risk Classification Methodology

For an ETF,

(a) state in words substantially similar to the following:

> "The investment risk level of this ETF is required to be determined in accordance with a standardized risk classification methodology that is based on the ETF's historical volatility as measured by the 10-year standard deviation of the returns of the ETF.";

(b) if the ETF has less than 10 years of performance history and complies with Item 4 of Appendix F - Investment Risk Classification Methodology to *National Instrument 81-102 Investment Funds*, provide a brief description of the other fund or reference index, as applicable; if the other fund or reference index has been changed since the most recently filed prospectus, provide details of when and why the change was made; and

(c) disclose that the standardized risk classification methodology used to identify the investment risk level of the ETF is available on request, at no cost, by calling [toll free/collect call telephone number] or by writing to [address].***;***

(e) ***by replacing the first paragraph in item 36.2 under "*****Mutual Funds*****" with the following:***

For an investment fund that is a mutual fund, other than an ETF, under the heading "Purchasers' Statutory Rights of Withdrawal and Rescission", state in words substantially similar to the following:***;***

(f) ***by adding the following item:***

36.2.1 Exchange-traded Mutual Funds

For an investment fund that is an ETF, under the heading "Purchasers' Statutory Rights of Rescission", state in words substantially similar to the following:

> "Securities legislation in [certain of the provinces [and territories] of Canada/the Province of [insert name of local jurisdiction, if applicable]] provides purchasers with the right to withdraw from an agreement to

purchase ETF securities within 48 hours after the receipt of a confirmation of a purchase of such securities. [In several of the provinces/provinces and territories], [T/t]he securities legislation further provides a purchaser with remedies for rescission [or [, in some jurisdictions,] revisions of the price or damages] if the prospectus and any amendment contains a misrepresentation, or non-delivery of the ETF Facts, provided that the remedies for rescission [, revisions of the price or damages] are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province [or territory].

The purchaser should refer to the applicable provisions of the securities legislation of the province [or territory] for the particulars of these rights or should consult with a legal adviser."***; and***

(g) ***by replacing item 37.1 under* "Mandatory Incorporation by Reference"** ***with the following:***

37.1 Mandatory Incorporation by Reference

If the investment fund is in continuous distribution, incorporate by reference the following documents in the prospectus, by means of the following statement in substantially the following words under the heading "Documents Incorporated by Reference":

"Additional information about the fund is available in the following documents:

1. The most recently filed ETF Facts for each class or series of securities of the ETF, filed either concurrently with or after the date of the prospectus. *[insert if applicable]*

2. The most recently filed comparative annual financial statements of the investment fund, together with the accompanying report of the auditor.

3. Any interim financial reports of the investment fund filed after those annual financial statements.

4. The most recently filed annual management report of fund performance of
the investment fund.

5. Any interim management report of fund performance of the investment fund filed after that annual management report of fund performance.

These documents are incorporated by reference into the prospectus, which means that they legally form part of this document just as if they were printed as part of this document. You can get a copy of these documents, at your request, and at no cost, by calling [toll-free/collect] [insert the toll-free telephone number or telephone number where collect calls are accepted] or from your dealer.

[If applicable] These documents are available on the [investment fund's/investment fund family's] Internet site at [insert investment fund's Internet site address], or by contacting the [investment fund/investment fund family] at [insert investment fund's /investment fund family's email address].

These documents and other information about the fund are available on the Internet at www.sedar.com.”**.**

13. The following Form is added:

Form 41-101F4 — Information Required in an ETF Facts Document

General Instructions:

General

(1) This Form describes the disclosure required in an ETF facts document for an ETF. Each Item of this Form outlines disclosure requirements. Instructions to help you provide this disclosure are in italic type.

(2) Terms defined in National Instrument 41-101 General Prospectus Requirements, National Instrument 81-102 Investment Funds, National Instrument 81-105 Mutual Fund Sales Practices or National Instrument 81-106 Investment Fund Continuous Disclosure and used in this Form have the meanings that they have in those national instruments.

(3) An ETF facts document must state the required information concisely and in plain language.

(4) Respond as simply and directly as is reasonably possible. Include only the information necessary for a reasonable investor to understand the fundamental and particular characteristics of the ETF.

(5) National Instrument 41-101 General Prospectus Requirements requires the ETF facts document to be presented in a format that assists in readability and comprehension. This Form does not mandate the use of a specific format or template to achieve these goals. However, ETFs must use, as appropriate, tables, captions, bullet points or other organizational techniques that assist in presenting the required disclosure clearly and concisely.

(6) This Form does not mandate the use of a specific font size or style but the text must be of a size and style that is legible. Where the ETF facts document is made available online, information must be presented in a way that enables it to be printed in a readable format.

(7) An ETF facts document can be produced in colour or in black and white, and in portrait or landscape orientation.

(8) Except as permitted by subsection (9), an ETF facts document must contain only the information that is specifically mandated or permitted by this Form. In addition, each Item must be presented in the order and under the heading or sub-heading stipulated in this Form.

(9) An ETF facts document may contain a brief explanation of a material change or a proposed fundamental change. The disclosure may be included in a textbox before Item 2 of Part I or in the most relevant section of the ETF facts document. If

necessary, the ETF may provide a cross-reference to a more detailed explanation at the end of the ETF facts document.

(10) An ETF facts document must not contain design elements (e.g., graphics, photos, artwork) that detract from the information disclosed in the document.

Contents of an ETF Facts Document

(11) An ETF facts document must disclose information about only one class or series of securities of an ETF. ETFs that have more than one class or series of securities that are referable to the same portfolio of assets must prepare a separate ETF facts document for each class or series.

(12) The ETF facts document must be prepared on letter-size paper and must consist of two Parts: Part I and Part II.

(13) The ETF facts document must begin with the responses to the Items in Part I of this Form.

(14) Part I must be followed by the responses to the Items in Part II of this Form.

(15) Each of Part I and Part II must not exceed one page in length, unless the required information in any section causes the disclosure to exceed this limit. Where this is the case, an ETF facts document must not exceed a total of four pages in length.

(16) For a class or series of securities of the ETF denominated in a currency other than the Canadian dollar, specify the other currency under the heading "Trading Information (12 months ending [date])" and provide the dollar amounts in the other currency, where applicable, under the headings "How has the ETF performed?" and "How much does it cost?".

(17) For items that must be as at a date within 60 days before the date of the ETF facts document or over a period ending within 60 days before the date of the ETF facts document, the same date within 60 days before the date of the ETF facts document must be used and disclosed in the ETF facts document.

(18) An ETF must not attach or bind other documents to an ETF facts document, except those documents permitted under Part 3C of National Instrument 41-101 General Prospectus Requirements.

Consolidation of ETF Facts Document into a Multiple ETF Facts Document

(19) ETF facts documents must not be consolidated with each other to form a multiple ETF facts document, except as permitted by Part 3C of National Instrument 41-101 General Prospectus Requirements. When a multiple ETF facts document is permitted under the Instrument, an ETF must provide information about each of

the ETFs described in the document on a fund-by-fund or catalogue basis and must set out for each ETF separately the information required by this Form. Each ETF facts document must start on a new page and may not share a page with another ETF facts document.

Multi-Class ETFs

(20) As provided in National Instrument 81-102 Investment Funds, each section, part, class or series of a class of securities of an investment fund that is referable to a separate portfolio of assets is considered to be a separate investment fund. Those principles are applicable to this Form.

Part I — Information about the ETF

Item 1 — Introduction

Include at the top of the first page a heading consisting of:

(a) the title "ETF Facts";

(b) the name of the manager of the ETF;

(c) the name of the ETF to which the ETF facts document pertains;

(d) if the ETF has more than one class or series of securities, the name of the class or series described in the ETF facts document;

(e) the ticker symbol(s) for the class or series of securities of the ETF ;

(f) the date of the document;

(g) if the final prospectus of the ETF includes textbox disclosure on the cover page, substantially similar textbox disclosure on the ETF facts document;

(h) a brief introduction to the document using wording substantially similar to the following:

> This document contains key information you should know about [insert name of the ETF]. You can find more details about this exchange-traded fund (ETF) in its prospectus. Ask your representative for a copy, contact [insert name of the manager of the ETF] at [insert if applicable the toll-free number and email address of the manager of the ETF] or visit [insert the website of the ETF, the ETF's family or the manager of the ETF] [as applicable]; and

(i) state in bold type using wording substantially similar to the following:

Before you invest, consider how the ETF would work with your other investments and your tolerance for risk.

INSTRUCTIONS:

(1) The date for an ETF facts document that is filed with a preliminary prospectus or final prospectus must be the date of the preliminary prospectus or final prospectus, respectively. The date for an ETF facts document that is filed with a pro forma prospectus must be the date of the anticipated final prospectus. The date for an amended ETF facts document must be the date on which it is filed.

(2) If the investment objectives of the ETF are to track a multiple (positive or negative) of the daily performance of a specified underlying index or benchmark, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is highly speculative. It uses leverage, which magnifies gains and losses. It is intended for use in daily or short-term trading strategies by sophisticated investors. If you hold this ETF for more than one day, your return could vary considerably from the ETF's daily target return. Any losses may be compounded. Don't buy this ETF if you are looking for a longer-term investment.

(3) If the investment objectives of the ETF are to track the inverse performance of a specified underlying index or benchmark, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is highly speculative. It is intended for use in daily or short-term trading strategies by sophisticated investors. If you hold this ETF for more than one day, your return could vary considerably from the ETF's daily target return. Any losses may be compounded. Don't buy this ETF if you are looking for a longer-term investment.

(4) If the ETF is a commodity pool, and Instruction (2) or (3) does not apply, provide textbox disclosure in bold type using wording substantially similar to the following:

This ETF is a commodity pool and is highly speculative and involves a high degree of risk. You should carefully consider whether your financial condition permits you to participate in this investment. You may lose a substantial portion or even all of the money you place in the commodity pool.

Item 2 — Quick Facts, Trading Information and Pricing Information

(1) Under the heading “Quick Facts”, include disclosure in the form of the following table:

Date ETF started (see instruction 1)
Total value on [date] (see instruction 2)
Management expense ratio (MER) (see instruction 3)
Fund manager (see instruction 4)
Portfolio manager (see instruction 5)
Distributions (see instruction 6)

(2) Under the heading “Trading Information (12 months ending [date])”, include disclosure in the form of the following table:

Ticker symbol (see instruction 7)
Exchange (see instruction 8)
Currency (see instruction 9)
Average daily volume (see instruction 10)
Number of days traded (see instruction 11)

(3) Under the heading “Pricing Information (12 months ending [date])”, include disclosure in the form of the following table:

Market price (see instruction 12)
Net asset value (NAV) (see instruction 13)
Average bid-ask spread (see instruction 14)

(4) An ETF may include the website address where updated Quick Facts, Trading Information and Pricing Information are posted by stating:

> For more updated Quick Facts, Trading Information and Pricing Information, visit [insert the website of the ETF, the ETF’s family or the manager of the ETF] [as applicable].

(5) An ETF may include the Committee on Uniform Securities Identification Procedures (CUSIP) number for the class or series of securities of the ETF at the bottom of the first page by stating:

For dealer use only: CUSIP [insert CUSIP number]

INSTRUCTIONS:

(1) Use the date that the securities of the class or series of the ETF described in the ETF facts document first became available to the public.

(2) Specify the net asset value (NAV) of the ETF as at a date within 60 days before the date of the ETF facts document. The amount disclosed must take into consideration all classes or series that are referable to the same portfolio of assets. For a newly established ETF, state that this information is not available because it is a new ETF.

(3) Use the management expense ratio (MER) disclosed in the most recently filed management report of fund performance for the ETF. The MER must be net of fee waivers or absorptions and, despite subsection 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, need not include any additional disclosure about the waivers or absorptions. For a newly established ETF that has not yet filed a management report of fund performance, state that the MER is not available because it is a new ETF.

(4) Specify the name of the fund manager of the ETF.

(5) Specify the name of the portfolio manager of the ETF. The ETF may also name the specific individual(s) responsible for portfolio selection and if applicable, the name of the sub-advisor(s).

(6) Include disclosure under this element of the "Quick Facts" only if distributions are a fundamental feature of the ETF. Disclose the expected frequency and timing of distributions. If there is a targeted amount for distributions, the ETF may include this information.

(7) Specify the ticker symbol(s) for the class or series of securities of the ETF.

(8) Specify the exchange(s) on which the class or series of securities of the ETF are listed.

(9) Specify the currency that the class or series of securities of the ETF is denominated.

(10) Disclose the consolidated (all trading venues) average daily trading volume of the

class or series of securities of the ETF over a 12 month period ending within 60 days before the date of the ETF facts document. Include non-trading (zero volume) days in the average daily trading volume calculation. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(11) Disclose the number of days the class or series of securities of the ETF has traded out of the total number of available trading days over a 12 month period ending within 60 days before the date of the ETF facts document. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(12) Disclose the range for the market price of the class or series of securities of the ETF by specifying the highest and lowest prices at which the class or series of securities of the ETF have traded on all trading venues over a 12 month period ending within 60 days before the date of the ETF facts document. The dollar amounts shown under this Item may be rounded to two decimal places. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(13) Disclose the range for the net asset value per share or unit of the class or series of securities of the ETF by specifying the highest and lowest net asset value per share or unit of the class or series of securities of the ETF over a 12 month period ending within 60 days of the date of the ETF facts document. The dollar amounts shown under this Item may be rounded to two decimal places. For a newly established ETF, state that this information is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that this information is not available because the ETF has not yet completed 12 consecutive months.

(14) Disclose the average bid-ask spread (the Average Bid-Ask Spread) for the class or series of the ETF being described in the ETF facts document. The disclosure must comply with the following:

- *The Average Bid-Ask Spread must be calculated by taking the average of the daily average bid-ask spread (the Daily Bid-Ask Spread) using the bid and ask orders displayed on the primary Canadian listing exchange (the Listing Exchange) for the class or series of the ETF for each day the Listing Exchange was open for trading (each, a Trading Day) over the 12-month period ending within 60 days before the date of the ETF facts document (the Time Period).*

- *Each Daily Bid-Ask Spread must be calculated by taking the average of* *the intraday bid-ask spreads (each, an Intraday Bid-Ask Spread) for each Trading Day.*

- *An Intraday Bid-Ask Spread must be calculated at each one second interval beginning 15 minutes after the opening and ending 15 minutes prior to the closing of the Listing Exchange (the Interval Points).*

- *The bid price at each Interval Point (the Interval Bid Price) must be determined by multiplying each bid price by its displayed order amount in number of shares until the sum of $50,000 (Bid Market Depth) is reached then dividing by the total number of securities bid.*

- *The ask price at each Interval Point (the Interval Ask Price) must be determined by multiplying each ask price by its displayed order amount in number of securities until the sum of $50,000 (Ask Market Depth) is reached then dividing by the total number of securities offered.*

- *The bid-ask spread at each Interval Point (the Interval Bid-Ask Spread) is determined by calculating the difference between the Interval Bid Price and the Interval Ask Price and dividing by the midpoint of the Interval Bid Price and Interval Ask Price.*

- *If the Listing Exchange for the ETF does not have sufficient Bid Market Depth, bid orders from other Canadian marketplaces must be used to the extent necessary to arrive at the Bid Market Depth.*

- *If the Listing Exchange for the ETF does not have sufficient Ask Market Depth, ask orders from other Canadian marketplaces must be used to the extent necessary to arrive at the Ask Market Depth.*

- *If the Listing Exchange has sufficient Bid Market Depth or Ask Market Depth the ETF may, at its discretion, also include bid and ask orders from other Canadian marketplaces in its calculation of the Interval Bid-Ask Spread.*

If there is insufficient Bid Market Depth or Ask Market Depth at a particular Interval Point even after including data from all Canadian marketplaces, no Interval Bid-Ask Spread can be calculated for that Interval Point. In order to include the Daily Average Bid-Ask Spread for a particular Trading Day in the 12-month Average Bid-Ask Spread calculation, the ETF must be able to calculate an Interval Bid-Ask Spread for at least 75% of the Interval Points in that Trading Day. In order to calculate the 12-month Average Bid-Ask Spread, the ETF must be able to calculate a Daily Bid-Ask Spread for at least 75% of the Trading Days over the Time Period. For a newly established ETF, state that the Average Bid-Ask Spread is not available because it is a new ETF. For an ETF that has not yet completed 12 consecutive months, state that the Average Bid-Ask Spread is not *available because the ETF has not yet completed 12 consecutive months. For an ETF that has completed 12 consecutive months but does not have sufficient data to calculate the Average Bid-Ask Spread, state the following: "This ETF did not have sufficient market depth ($50,000) to calculate the average bid-ask spread."*

Item 3 — Investments of the ETF

(1) Briefly set out under the heading "What does the ETF invest in?" a description of the fundamental nature of the ETF, or the fundamental features of the ETF that distinguish it from other ETFs.

(2) For an ETF that replicates an index,

(a) disclose the name or names of the permitted index or permitted indices on which the investments of the index ETF are based, and

(b) briefly describe the nature of that permitted index or those permitted indices.

(3) For an ETF that uses derivatives to replicate an index, state using wording substantially similar to the following:

> The ETF uses derivatives, such as options, futures and swaps, to get exposure to the [index/benchmark] without investing directly in the securities that make up the [index/benchmark].

(4) Include an introduction to the information provided in response to subsection (5) and subsection (6) using wording similar to the following:

> The charts below give you a snapshot of the ETF's investments on [insert date]. The ETF's investments will change.

(5) Unless the ETF is a newly established ETF, include under the sub-heading "Top 10 investments [date]", a table disclosing the following:

(a) the top 10 positions held by the ETF, each expressed as a percentage of the net asset value of the ETF;

(b) the percentage of net asset value of the ETF represented by the top 10 positions;

(c) the total number of positions held by the ETF.

(6) Unless the ETF is a newly established ETF, under the sub-heading "Investment mix [date]" include at least one, and up to two, charts or tables that illustrate the investment mix of the ETF's investment portfolio.

(7) For a newly established ETF, state the following under the sub-headings “Top 10 investments [date]” and “Investment mix [date]”:

This information is not available because this ETF is new.

INSTRUCTIONS:

(1) Include in the information under “What does this ETF invest in?” a description of what the ETF primarily invests in, or intends to primarily invest in, or that its name implies that it will primarily invest in, such as

(a) particular types of issuers, such as foreign issuers, small capitalization issuers or issuers located in emerging market countries;

(b) particular geographic locations or industry segments; or

(c) portfolio assets other than securities.

(2) Include a particular investment strategy only if it is an essential aspect of the ETF, as evidenced by the name of the ETF or the manner in which the ETF is marketed.

(3) If an ETF’s stated objective is to invest primarily in Canadian securities, specify the maximum exposure to investments in foreign markets.

(4) The information under “Top 10 investments” and “Investment mix” is intended to give a snapshot of the composition of the ETF’s investment portfolio. The information required to be disclosed under these sub-headings must be as at a date within 60 days before the date of the ETF facts document. The date shown must be the same as the one used in Item 2 for the total value of the ETF.

(5) If the ETF owns more than one class of securities of an issuer, those classes should be aggregated for the purposes of this Item, however, debt and equity securities of an issuer must not be aggregated.

(6) Portfolio assets other than securities should be aggregated if they have substantially similar investment risks and profiles. For instance, gold certificates should be aggregated, even if they are issued by different financial institutions.

(7) Treat cash and cash equivalents as one separate discrete category.

(8) In determining its holdings for purposes of the disclosure required by this Item, an ETF must, for each long position in a derivative that is held by the ETF for purposes other than hedging and for each index participation unit held by the ETF, consider that it holds directly the underlying interest of that derivative or its

proportionate share of the securities held by the issuer of the index participation unit.

(9) If an ETF invests substantially all of its assets directly or indirectly (through the use of derivatives) in securities of one other mutual fund, list the 10 largest holdings of the other mutual fund and show the percentage of the other mutual fund's net asset value represented by the top 10 positions. If the ETF is not able to disclose this information as at a date within 60 days before the date of the ETF facts document, the ETF must include this information as disclosed by the other mutual fund in the other mutual fund's most recently filed ETF facts document or fund facts document, or its most recently filed management report of fund performance, whichever is most recent.

(10) Indicate whether any of the ETF's top 10 positions are short positions.

(11) Each investment mix chart or table must show a breakdown of the ETF's investment portfolio into appropriate subgroups and the percentage of the aggregate net asset value of the ETF constituted by each subgroup. The names of the subgroups are not prescribed and can include security type, industry segment or geographic location. The ETF should use the most appropriate categories given the nature of the ETF. The choices made must be consistent with disclosure provided under "Summary of Investment Portfolio" in the ETF's management report of fund performance.

(12) In presenting the investment mix of the ETF, consider the most effective way of conveying the information to investors. All tables or charts must be clear and legible.

(13) For new ETFs where the information required to be disclosed under "Top 10 investments" and "Investment mix" is not available, include the required sub-headings and provide a brief statement explaining why the required information is not available.

Item 4 — Risks

(1) Under the heading "How risky is it?", state the following:

> The value of the ETF can go down as well as up. You could lose money.
>
> One way to gauge risk is to look at how much an ETF's returns change over time. This is called "volatility".
>
> In general, ETFs with higher volatility will have returns that change more over time. They typically have a greater chance of losing money and may have a greater chance of higher returns. ETFs with lower volatility tend to have returns that change less over time. They typically have lower returns

and may have a lower chance of losing money.

(2) Under the sub-heading "Risk rating",

(a) using the investment risk classification methodology prescribed by Appendix F – *Investment Risk Classification Methodology to National Instrument 81-102 Investment Funds*, identify the ETF's investment risk level on the following risk scale:

Low	Low to medium	Medium	Medium to high	High

(b) unless the ETF is a newly established ETF, include an introduction to the risk scale which states the following:

> [Insert name of the manager of the ETF] has rated the volatility of this ETF as [insert investment risk level identified in paragraph (a) in bold type].
>
> This rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.

(c) for a newly established ETF, include an introduction to the risk scale which states the following:

> [Insert name of the manager of the ETF] has rated the volatility of this ETF as [insert investment risk level identified in paragraph (a) in bold type].
>
> Because this is a new ETF, the risk rating is only an estimate by [insert name of the manager of the ETF]. Generally, the rating is based on how much the ETF's returns have changed from year to year. It doesn't tell you how volatile the ETF will be in the future. The rating can change over time. An ETF with a low risk rating can still lose money.

(d) following the risk scale, state using wording substantially similar to the following:

> For more information about the risk rating and specific risks that can affect the ETF's returns, see the [insert cross-reference to the appropriate section of the ETF's final prospectus] section of the ETF's prospectus.

(3) If the ETF does not have any guarantee or insurance, under the sub-heading “No guarantees”, state using wording substantially similar to the following:

> ETFs do not have any guarantees. You may not get back the amount of money you invest.

(4) If the ETF has an insurance or guarantee feature protecting all or some of the principal amount of an investment in the ETF, under the sub-heading “Guarantees”:

(a) identify the person or company providing the guarantee or insurance; and

(b) provide a brief description of the material terms of the guarantee or insurance, including the maturity date of the guarantee or insurance.

INSTRUCTIONS:

Based upon the investment risk classification methodology prescribed by Appendix F – Investment Risk Classification Methodology to National Instrument 81-102 Investment Funds, as at the end of the period that ends within 60 days before the date of the ETF facts document, identify where the ETF fits on the continuum of investment risk levels by showing the full investment risk scale and highlighting the applicable category on the scale. Consideration should be given to ensure that the highlighted investment risk rating is easily identifiable.

Item 5 — Past Performance

(1) Unless the ETF is a newly established ETF, under the heading “How has the ETF performed?”, include an introduction using wording substantially similar to the following:

> This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed over the past [insert number of calendar years shown in the bar chart required under paragraph (3)(a)] years. Returns [add a footnote stating: Returns are calculated using the ETF’s net asset value (NAV).] after expenses have been deducted. These expenses reduce the ETF’s returns. (For an ETF that replicates an index, state: This means that the ETF’s returns may not match the returns of the [index/benchmark].)

(2) For a newly established ETF, under the heading “How has the ETF performed?”, include an introduction using the following wording:

> This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed, with returns calculated using the ETF’s net asset value (NAV). However, this information is not available because the ETF is new.

(3) Under the sub-heading “Year-by-year returns”,

(a) for an ETF that has completed at least one calendar year:

(i) provide a bar chart that shows the annual total return of the ETF, in chronological order with the most recent year on the right of the bar chart, for the lesser of

(A) each of the 10 most recently completed calendar years, and

(B) each of the completed calendar years in which the ETF has been in existence and for which the ETF was a reporting issuer; and

(ii) include an introduction to the bar chart using wording substantially similar to the following:

> This chart shows how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF performed in each of the past [insert number of calendar years shown in the bar chart required under paragraph (a)]. The ETF dropped in value in [for the particular years shown in the bar chart required under paragraph (a), insert the number of years in which the value of the ETF dropped] of the [insert number of calendar years shown in the bar chart required in paragraph (a)(i)] years. The range of returns and change from year to year can help you assess how risky the ETF has been in the past. It does not tell you how the ETF will perform in the future.

(b) for an ETF that has not yet completed a calendar year, state the following:

> This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed in past calendar years. However, this information is not available because the ETF has not yet completed a calendar year.

(c) for a newly established ETF, state the following:

> This section tells you how [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF have performed in past calendar years. However, this information is not available because the ETF is new.

(4) Under the sub-heading "Best and worst 3-month returns",

(a) for an ETF that has completed at least one calendar year:

(i) provide information for the period covered in the bar chart required under paragraph (3)(a) in the form of the following table:

	Return	**3 months ending**	**If you invested $1,000 at the beginning of the period**
Best return	(see instruction 7)	(see instruction 9)	Your investment would [rise/drop] to (see instruction 11).
Worst return	(see instruction 8)	(see instruction 10)	Your investment would [rise/drop] to (see instruction 12).

(ii) include an introduction to the table using wording substantially similar to the following:

> This table shows the best and worst returns for the [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF in a 3-month period over the past [insert number of calendar years shown in the bar chart required under paragraph (3)(a)]. The best and worst 3-month returns could be higher or lower in the future. Consider how much of a loss you could afford to take in a short period of time.

(b) for an ETF that has not yet completed a calendar year, state the following:

> This section shows the best and worst returns for the [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF in a 3-month period. However, this information is not available because the ETF has not yet completed a calendar year.

(c) for a newly established ETF, state the following:

> This section shows the best and worst returns for the [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF in a 3-month period. However, this information is not available because the ETF is new.

(5) Under the sub-heading "Average return",

(a) for an ETF that has completed at least 12 consecutive months, show the following:

(i) the final value of a hypothetical $1,000 investment in the ETF as at the end of the period that ends within 60 days before the date of the ETF facts document and consists of the lesser of

(A) 10 years, or

(B) the time since inception of the ETF; and

(ii) the annual compounded rate of return that equates the hypothetical $1,000 investment to the final value.

(b) for an ETF that has not yet completed 12 consecutive months, state the following:

> This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF. However, this information is not available because the ETF has not yet completed 12 consecutive months.

(c) for a newly established ETF, state the following:

> This section shows the value and annual compounded rate of return of a hypothetical $1,000 investment in [name of class/series of securities described in the ETF facts document] [units/shares] of the ETF. However, this information is not available because the ETF is new.

INSTRUCTIONS:

(1) In responding to the requirements of this Item, an ETF must comply with the relevant sections of Part 15 of National Instrument 81-102 Investment Funds as if those sections applied to an ETF facts document.

(2) Use a linear scale for each axis of the bar chart required by this Item.

(3) The x-axis and y-axis for the bar chart required by this Item must intersect at zero.

(4) An ETF that distributes different classes or series of securities that are referable to the same portfolio of assets must show performance data related only to the specific class or series of securities being described in the ETF facts document.

(5) The dollar amounts shown under this Item may be rounded up to the nearest dollar.

(6) *The percentage amounts shown under this Item may be rounded to one decimal place.*

(7) *Show the best rolling 3-month return as at the end of the period that ends within 60 days before the date of the ETF facts document.*

(8) *Show the worst rolling 3-month return as at the end of the period that ends within 60 days before the date of the ETF facts document.*

(9) *Insert the end date for the best 3-month return period.*

(10) *Insert the end date for the worst 3-month return period.*

(11) *Insert the final value that would equate with a hypothetical $1,000 investment for the best 3-month return period shown in the table.*

(12) *Insert the final value that would equate with a hypothetical $1,000 investment for the worst 3-month return period shown in the table.*

Item 6 — Trading ETFs

Under the sub-heading "Trading ETFs", state the following:

ETFs hold a basket of investments, like mutual funds, but trade on exchanges like stocks. Here are a few things to keep in mind when trading ETFs:

Pricing *[in bold type]*

ETFs have two sets of prices: market price and net asset value (NAV).

Market price

ETFs are bought and sold on exchanges at the market price. The market price can change throughout the trading day. Factors like supply, demand, and changes in the value of an ETF's investments can affect the market price.

You can get price quotes any time during the trading day. Quotes have two parts: bid and ask.

The bid is the highest price a buyer is willing to pay if you want to sell your ETF [units/shares]. The ask is the lowest price a seller is willing to accept if you want to buy ETF [units/shares]. The difference between the two is called the "bid-ask spread".

In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.

Net asset value (NAV)

Like mutual funds, ETFs have a NAV. It is calculated after the close of each trading day and reflects the value of an ETF's investments at that point in time.

NAV is used to calculate financial information for reporting purposes – like the returns shown in this document.

Orders *[in bold type]*

There are two main options for placing trades: market orders and limit orders. A market order lets you buy or sell [units/shares] at the current market price. A limit order lets you set the price at which you are willing to buy or sell [units/shares].

Timing *[in bold type]*

In general, market prices of ETFs can be more volatile around the start and end of the trading day. Consider using a limit order or placing a trade at another time during the trading day.

Item 7 — Suitability

Provide a brief statement of the suitability of the ETF for particular investors under the heading "Who is this ETF for?". Describe the characteristics of the investor for whom the ETF may or may not be an appropriate investment, and the portfolios for which the ETF is and is not suited.

INSTRUCTIONS:

(1) *If the ETF is particularly unsuitable for certain types of investors or for certain types of investment portfolios, emphasize this aspect of the ETF. Disclose both the types of investors who should not invest in the ETF, with regard to investments on both a short- and long-term basis, and the types of portfolios that should not invest in the ETF. If the ETF is particularly suitable for investors who have particular investment objectives, this can also be disclosed.*

(2) *If there is textbox disclosure on the cover page pursuant to Item 1(g) of Part I of this form, the brief statement of the suitability of the ETF in Item 8 of Part I of this form must be consistent with any suitability disclosure in the textbox.*

Item 8 — Impact of Income Taxes on Investor Returns

Under the heading "A word about tax", provide a brief explanation of the income tax consequences for investors using wording similar to the following:

In general, you'll have to pay income tax on any money you make on an ETF.

How much you pay depends on the tax laws where you live and whether or not you hold the ETF in a registered plan such as a Registered Retirement Savings Plan, or a Tax-Free Savings Account.

Keep in mind that if you hold your ETF in a non-registered account, distributions from the ETF are included in your taxable income, whether you get them in cash or have them reinvested.

Part II — Costs, Rights and Other Information

Item 1 — Costs of Buying, Owning and Selling the ETF

1.1 — Introduction

Under the heading "How much does it cost?", state the following:

This section shows the fees and expenses you could pay to buy, own and sell [name of the class/series of securities described in the ETF facts document] [units/shares] of the ETF. Fees and expenses – including trailing commissions – can vary among ETFs. Higher commissions can influence representatives to recommend one investment over another. Ask about other ETFs and investments that may be suitable for you at a lower cost.

1.2 — Brokerage commissions

Under the sub-heading "Brokerage commissions", provide a brief statement using wording substantially similar to the following:

You may have to pay a commission every time you buy and sell [units/shares] of the ETF. Commissions may vary by brokerage firm. Some brokerage firms may offer commission-free ETFs or require a minimum purchase amount.

1.3 — ETF expenses

(1) Under the sub-heading "ETF expenses", include an introduction using wording similar to the following:

You don't pay these expenses directly. They affect you because they reduce the ETF's returns.

(2) Unless the ETF has not yet filed a management report of fund performance, provide information about the expenses of the ETF in the form of the following table:

	Annual rate (as a % of the ETF's value)

Management expense ratio (MER) This is the total of the ETF's management fee and operating expenses. (If the ETF pays a trailing commission, state the following: "This is the total of the ETF's management fee (which includes the trailing commission) and operating expenses.") (see instruction 1)	(see instruction 2)
Trading expense ratio (TER) These are the ETF's trading costs.	(see instruction 3)
ETF expenses	(see instruction 4)

(3) Unless the ETF has not yet filed a management report of fund performance, above the table required under subsection (2), include a statement using wording similar to the following:

> As of [see instruction 5], the ETF's expenses were [insert amount included in table required under subsection (2)]% of its value. This equals $[see instruction 6] for every $1,000 invested.

(4) For an ETF that has not yet filed a management report of fund performance, state the following:

> The ETF's expenses are made up of the management fee, operating expenses and trading costs. The [class'/series'/ETF's] annual management fee is [see instruction 7]% of the [class'/series'/ETF's] value. As this [class/series/ETF] is new, operating expenses and trading costs are not yet available.

(5) If the ETF pays an incentive fee that is determined by the performance of the ETF, provide a brief statement disclosing the amount of the fee and the circumstances in which the ETF will pay it.

(6) Under the sub-heading "Trailing commission", include a description using wording substantially similar to the following:

> The trailing commission is an ongoing commission. It is paid for as long as you own the ETF. It is for the services and advice that your representative and their firm provide to you.

(7) If the manager of the ETF or another member of the ETF's organization does not pay trailing commissions, include a description using wording substantially similar to the following:

> This ETF doesn't have a trailing commission.

(8) If the manager of the ETF or another member of the ETF's organization pays trailing commissions, disclose the range of the rates of the trailing commission after providing a description using wording substantially similar to the following:

> [Insert name of the manager of the ETF] pays the trailing commission to your representative's firm. It is paid from the ETF's management fee and is based on the value of your investment.

(9) If the manager of the ETF or another member of the ETF's organization pays trailing commissions for the class or series of securities of the ETF described in the ETF facts document but does not pay trailing commissions for another class or series of securities of the same ETF, state using wording substantially similar to the following:

> This ETF also offers a [class/series] of [units/shares] that does not have a trailing commission. Ask your representative for details.

INSTRUCTIONS:

(1) If any fees or expenses otherwise payable by the ETF were waived or otherwise absorbed by a member of the organization of the ETF, despite subsection 15.1(2) of National Instrument 81-106 Investment Fund Continuous Disclosure, only include a statement in substantially the following words:

> *[Insert name of the manager of the ETF] waived some of the ETF's expenses. If it had not done so, the MER would have been higher.*

(2) Use the same MER that is disclosed in Item 2 of Part I of this Form. If applicable, include a reference to any fixed administration fees in the management expense ratio description required in the table under Item 1.3(2) of Part II of this Form.

(3) Use the trading expense ratio disclosed in the most recently filed management report of fund performance for the ETF.

(4) The amount included for ETF expenses is the amount arrived at by adding the MER and the trading expense ratio. Use a bold font or other formatting to indicate that ETF expenses is the total of all ongoing expenses set out in the chart and is not a separate expense charged to the ETF.

(5) Insert the date of the most recently filed management report of fund performance.

(6) Insert the equivalent dollar amount of the ongoing expenses of the ETF for each $1,000 investment.

(7) The percentage disclosed for the management fee must correspond to the percentage shown in the fee table in the final prospectus.

(8) *For an ETF that is required to include the disclosure under subsection (4), in the description of the items that make up ETF fees, include a reference to any fixed administrative fees, if applicable. Also disclose the amount of the fixed administration fee in the same manner as required for the management fee. The percentage disclosed for the fixed administration fee must correspond to the percentage shown in the fee table in the final prospectus.*

(9) *In disclosing the range of rates of trailing commissions, show both the percentage amount and the equivalent dollar amount for each $1,000 investment.*

1.4 — Other Fees

(1) If applicable, provide the sub-heading "Other Fees".

(2) Provide information about the amount of fees payable by an investor when they buy, hold, sell or switch units or shares of the ETF, substantially in the form of the following table:

Fee	**What you pay**
Redemption Fee	[Insert name of the manager of the ETF] may charge you up to [see instruction 1]% of the value of your [units/shares] you redeem or exchange directly from [insert name of the manager of the ETF]. (see instruction 1)
Other fees *[specify type]*	*[specify amount]* (see instructions 2 and 3)

INSTRUCTIONS:

(1) *The percentage disclosed for the redemption fee must correspond to the percentage shown in the final prospectus.*

(2) *Under this Item, it is necessary to include only those fees that apply to the particular class or series of securities of the ETF. Examples include management fees and administration fees payable directly by investors, and switch fees. This also includes any requirement for an investor to participate in a fee-based arrangement with their dealer in order to be eligible to purchase the particular class or series of securities of the ETF. If there are no other fees associated with buying, holding, selling or switching units or shares of the ETF, replace the table with a statement to that effect.*

(3) *Provide a brief description of each fee disclosing the amount to be paid as a percentage (or, if applicable, a fixed dollar amount) and state who charges the*

fee. If the amount of the fee varies so that specific disclosure of the amount of the fee cannot be disclosed include, where possible, the highest possible rate or range for that fee.

Item 2 — Statement of Rights

Under the heading "What if I change my mind?", state using wording substantially similar to the following:

Under securities law in some provinces and territories, you have the right to cancel your purchase within 48 hours after you receive confirmation of the purchase.

In some provinces and territories, you also have the right to cancel a purchase, or in some jurisdictions, claim damages, if the prospectus, ETF Facts or financial statements contain a misrepresentation. You must act within the time limit set by the securities law in your province or territory.

For more information, see the securities law of your province or territory or ask a lawyer.

Item 3 — More Information about the ETF

(1) Under the heading "For more information", state using wording substantially similar to the following:

Contact [insert name of the manager of the ETF] or your representative for a copy of the ETF's prospectus and other disclosure documents. These documents and the ETF Facts make up the ETF's legal documents.

(2) State the name, address and toll-free telephone number of the manager of the ETF. If applicable, also state the e-mail address and website of the manager of the ETF.

14. Transition

(1) An ETF must, on or before November 12, 2018, file a completed Form 41-101F4 *Information Required in an ETF Facts Document* for each class or series of securities of the ETF that, on that date, are the subject of disclosure under a prospectus.

(2) The date of an ETF facts document filed under subsection (1) must be the date on which it was filed.

15. Effective date

(1) Subject to subsection (2), this Instrument comes into force on March 8, 2017.

(2) The provisions of this Instrument listed in column 1 of the following table come into force on the date set out in column 2 of the table:

Column 1: Provisions of this Instrument	Column 2: Date
5(a), 6-14	September 1, 2017
5(b)	December 10, 2018

ANNEX E

CHANGES TO
COMPANION POLICY 41-101 CP
TO NATIONAL INSTRUMENT 41-101 *GENERAL PROSPECTUS REQUIREMENTS*

1. The changes to Companion Policy 41-101CP To National Instrument 41-101 General Prospectus Requirements are set out in this Annex.

2. Section 2.10 is replaced by the following:

2.10 Lapse Date

An amendment to a prospectus, even if it amends and restates the prospectus, does not change the lapse date under section 17.2 of the Instrument or other securities legislation. An amendment to an ETF facts document also does not change the lapse date for a prospectus of an ETF.**.**

3. Subsection 3.10(3) is changed by replacing the second paragraph with the following:

Similarly, if an issuer wishes to add a new class of securities to a prospectus before the distribution under that prospectus is completed the issuer must file a preliminary prospectus for that class of securities and an amended and restated prospectus and obtain receipts for both the preliminary prospectus and the amended prospectus. Alternatively the issuer may file a separate preliminary prospectus and prospectus for the new class of securities. We interpret this requirement to also apply to mutual funds. If a mutual fund adds a new class or series of securities to a prospectus that is referable to a new separate portfolio of assets, a preliminary prospectus and preliminary ETF facts document must be filed. However, if the new class or series of securities is referable to an existing portfolio of assets, the new class or series may be added by way of amendment to the prospectus. In this case, a preliminary ETF facts document for the new class or series must still be filed.**.**

4. The Companion Policy is changed by adding the following after Part 5:

PART 5A: ETF Facts Documents for ETFs

5A.1 General Purpose

(1) The Instrument requires that the ETF facts document be in plain language, be no longer than four pages in length, and highlight key information important to investors, including performance, risk and cost. The ETF facts document is incorporated by reference into the prospectus. A sample ETF facts document is set out in Appendix B to this Policy. The sample is provided for illustrative purposes only.

(2) The Instrument and Form 41-101F4 set out detailed requirements on the content and format of an ETF facts document, while allowing some flexibility to accommodate different kinds of ETFs. The Instrument requires an ETF facts document to include only information that is specifically mandated or permitted by the required Form 41-101F4 and to use the headings and sub-headings stipulated in the Instrument and Form 41-101F4. The requirements are designed to ensure that the information in an ETF facts document of an ETF is clear, concise, understandable and easily comparable with information in the ETF facts documents of other ETFs.

(3) The CSA encourages the use and distribution of the ETF facts document as a key part of the sales process in helping to inform investors about ETFs they are considering for investment.

5A.2 Plain Language and Presentation

(1) Section 3B.2 of the Instrument requires that an ETF facts document be written in plain language. Issuers should apply the plain language principles set out in section 4.1 when they prepare an ETF facts document.

(2) Section 3B.2 of the Instrument requires that an ETF facts document be presented in a format that assists in readability and comprehension. The Instrument and Form 41-101F4 also set out certain aspects of an ETF facts document that must be presented in a required format, requiring some information to be presented in the form of tables, charts or diagrams. Within these requirements, ETFs have flexibility in the format used for ETF facts documents.

The formatting of documents can contribute substantially to the ease with which the document can be read and understood.

(3) To help write the ETF facts document in plain language, the Flesch-Kincaid methodology can be used to assess the readability of an ETF facts document. The Flesch-Kincaid grade level scale is a methodology that rates the readability of a text to a corresponding grade level and can be determined by the use of Flesch-Kincaid tests built into commonly used word processing programs. The CSA will generally consider a grade level of 6.0 or less on the Flesch-Kincaid grade level scale to indicate that an ETF facts document is written in plain language. For French-language documents, ETF companies may wish to consider using other appropriate readability tools.

5A.3 Filing

(1) Subparagraph 9.1(1)(a)(iv.2) of the Instrument requires that an ETF facts document for each class and series of the securities of an ETF be filed concurrently with the prospectus.

(2) The most recently filed ETF facts document for an ETF is incorporated by reference into the prospectus under section 15.2 of the Instrument, with the result that any ETF facts document filed under the Instrument after the date of receipt for the prospectus supersedes the ETF facts document previously filed.

(3) Any amendment to an ETF facts document must be in the form of an amended and restated ETF facts document. Accordingly, the commercial copy of an amended and restated ETF facts document can only be created by reprinting the entire document.

(4) An amendment to the ETF facts document should be filed when there is a material change to the ETF that requires a change to the disclosure in the ETF facts document. This is consistent with the requirement in paragraph 11.2(1)(d) of National Instrument 81-106 *Investment Fund Continuous Disclosure*. We would not generally consider changes to the top 10 investments, investment mix or year-by-year returns of the ETF to be material changes. We would generally consider changes to the ETF's investment objective or risk level to be material changes under securities legislation.

(5) Subsection 6.2(e) of the Instrument requires an amendment to a prospectus to be filed whenever an amendment to an ETF facts document is filed. If the substance of the amendment to the ETF facts document would not require a change to the text of the prospectus, the amendment to the prospectus would consist only of the certificate page referring to the ETF to which the amendment to the ETF facts document pertains.

(6) General Instruction (9) of Form 41-101F4 permits an ETF to disclose a material change and proposed fundamental change, such as a proposed merger, in an amended and restated ETF facts document. We would permit flexibility in selecting the appropriate section of the amended and restated ETF facts document to describe the material change or proposed fundamental change. However, we also expect that the variable sections of the ETF facts document, such as the Top 10 investments and investment mix, to be updated within 60 days before the date of the ETF facts document. In addition, if an ETF completes a calendar year or files a management report of fund performance prior to the filing of the amended and restated ETF facts document, we expect the ETF facts document to reflect the updated information.

5A.4 Website

(1) Section 3B.4 of the Instrument requires an ETF to post its ETF facts document to the website of the ETF, the ETF's family or the manager of the ETF, as applicable. An ETF facts document should remain on the website at least until the next ETF facts document for the ETF is posted. Only a final ETF facts document filed under this Instrument should be posted to a website. A preliminary or pro forma ETF facts document, for example, should not be posted. An ETF facts document must be displayed in an easily visible and accessible location on the

website. It should also be presented in a format that is convenient for both reading online and printing on paper**.**

(2) Many ETFs have fund profiles that are available on a website of the ETF, the ETF's family or the manager of the ETF. These profiles provide summary information about the ETF that supplements the information contained in the ETF Facts and that is typically updated on a more frequent basis. In cases where the ETF Facts makes a cross-reference to a website to highlight the availability of more up-to-date trading and pricing information for an ETF, the information should be presented in a manner that is consistent with what is disclosed under the Quick Facts, Trading Information and Pricing Information sections of the ETF Facts, including the manner of calculating the information that is presented.

5A.5 Delivery

(1) The Instrument contemplates delivery to all investors of an ETF facts document in accordance with the requirements in securities legislation. It does not require the delivery of the prospectus, or any other documents incorporated by reference into the prospectus, unless requested. ETFs or dealers may also provide purchasers with any of the other disclosure documents incorporated by reference into the prospectus.

(2) For delivery of the ETF facts document, subsection 3C.3(1) of the Instrument permits an ETF facts document to be combined with certain other materials or documents. With the exception of a general front cover, a table of contents or a trade confirmation, subsection 3C.3(4) requires the ETF facts document to be located as the first item in the package of documents or materials.

(3) Nothing in the Instrument prevents an ETF facts document from being prepared in other languages, provided that these documents are delivered or sent in addition to any disclosure document filed and required to be delivered in accordance with the Instrument. We would consider such documents to be sales communications.

(4) The Instrument and related forms contain no restrictions on the delivery of non-educational material such as promotional brochures with the prospectus. This type of material may, therefore, be delivered with, but cannot be included within, or attached to, the prospectus. The Instrument does not permit the binding of educational and non-educational material with the ETF facts document. The intention of the Instrument is not to unreasonably encumber the ETF facts document with additional documents.**.**

5. The Companion Policy is changed by adding the following as Appendix B – Sample ETF Facts Document after Appendix A – Financial Statement Disclosure Requirements for Significant Acquisitions:

*[insert Sample ETF Facts Document]***.**

6. These changes become effective on March 8, 2017.

ANNEX F

AMENDMENTS TO
NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. ***National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.***

2. ***Section 11.2 is amended by replacing paragraph (1)(d) with the following:***

> **(d)** file an amendment to its prospectus, simplified prospectus, fund facts document or ETF facts document that discloses the material change in accordance with the requirements of securities legislation.**.**

3. This Instrument comes into force on March 8, 2017.

ANNEX G

CHANGES TO
COMPANION POLICY 81-106 CP
TO NATIONAL INSTRUMENT 81-106 *INVESTMENT FUND CONTINUOUS DISCLOSURE*

1. ***Companion Policy 81-106CP to National Instrument 81-106 Investment Fund Continuous Disclosure is amended by this Instrument.***

2. ***Subsection 10.1(1) is amended by replacing it with the following:***

10.1 Calculation of Management Expense Ratio

(1) Part 15 of the Instrument sets out the method to be used by an investment fund to calculate its management expense ratio (MER). The requirements apply in all circumstances in which an investment fund circulates and discloses an MER. This includes disclosure in a sales communication, a prospectus, a fund facts document, an ETF facts document, an annual information form, financial statements, a management report of fund performance or a report to securityholders.**.**

3. These changes become effective on March 8, 2017.