Via email July 2, 2015

## Comment Letter

CSA NOTICE AND REQUEST FOR COMMENT MANDATING A SUMMARY DISCLOSURE DOCUMENT FOR EXCHANGE-TRADED MUTUAL FUNDS AND ITS DELIVERY PROPOSED 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

http://www.osc.gov.on.ca/en/SecuritiesLaw csa 20150618 41-101 rfc-amd-general-prospectus.htm

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The CSA initiative of introducing ETF Facts is a constructive step in increasing retail investors awareness of Exchange Traded Funds (ETF's). Given prevailing low interest rates, a greater use of ETF's increases the chances for Canadians in meeting their life financial goals Providing a plain language disclosure is key to drawing retail investors' attention to ETF's.

Retail Investors may not realize that one does not buy an ETF from the ETF provider (unlike mutual funds), one buys them from another investor on the open market. This is important information to communicate.

I assume that ETF Facts will only be required of Canadian domiciled ETF manufacturers and that copies of the Summary Prospectus will be provided for U.S. originated ETF's.

I am pleased to provide comments on the proposed Disclosure document for Exchange Traded Funds. Here are my comments:

- # 1 Minimum Font size and font type should be specified The document must be readable and legible without the need for magnification or awareness of legal or industry jargon.
- #2 Pre-sale delivery of ETF Facts should be required this would make it consistent with Fund Facts delivery requirements and be what investors need and want. I must admit though that most ETF buyers use online systems where easy access to the ETF Facts document is or could easily be available.

# 3 Return calculations Returns should be based on market value not NAV as this is what retail investors typically look at and experience. In any event, the disclosure should be harmonized with CRM2 performance reporting disclosure. A benchmark should be included in the return table so tracking error for index ETF's can be seen. #4 Risk disclosure should be linited to a plain language listing of the principal risks of the ETF. I am uncomfortable with using the IFIC risk rating classification system to disclose risks. Also,I have particular concerns with the rating of exotic ETF's like inverse and leveraged ETF's. These funds are truly unique. A simple statement like "This ETF is not for long-term investors. It is a product designed for active traders. "should be adequate risk disclosure

#5 Investment objective and strategy - what does the fund invest in and how does it do that? if it tracks an index, it should explain how the index works, not merely refer to the index .

#6 Trailer commissions If no trailers are applicable for the series, I strongly recommend omitting any reference to trailers .It is my understanding that only a small percentage of Canadian ETF's are burdened by embedded trailers.

#7 Foreign property Domestic or Foreign Holding per Canada Revenue Agency – state whether or not the ETF is foreign property wrt the infamous T1135 form? #8 Net assets: The net assets of the fund should be disclosed.

#9 Form of Distributions - for the latest calendar year, state the nature of the distributions e.g. interest, eligible dividends, ROC, capital gains, foreign income. #10 Disclose Portfolio turnover This woulld give the reader a sense of tax exposure . #11 ETF liquidity ETF liquidity is not solely dependent on the ETF's own daily trading volume but on that of the underlying securities.

#12 Prepare an Investor Education Brochure The educational brochure would be used to explain in plain language how to use ETF Facts for decision making. I hope this feedback is useful to you. Please do not hesitate to contact me if any additional information is required.

I agree to public posting of this Submission. Sincerely, Larry Elford