



March 9, 2016

The Secretary Ontario Securities Commission 20 Queen Street West 22nd Floor Toronto, Ontario M5H 3S8 Fax: 416-593-2318 <a href="mailto:comments@osc.gov.on.ca">comments@osc.gov.on.ca</a>	Me Anne-Marie Beaudoin Corporate Secretary Autorité des marchés financiers 800, rue du Square-Victoria, 22e étage C.P. 246, tour de la Bourse Montréal (Québec) H4Z 1G3 Fax : 514-864-6381 <a href="mailto:consultation-en-cours@lautorite.qc.ca">consultation-en-cours@lautorite.qc.ca</a>
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- British Columbia Securities Commission
- Alberta Securities Commission
- Financial and Consumer Affairs Authority of Saskatchewan
- The Manitoba Securities Commission
- Ontario Securities Commission
- Autorité des marchés financiers
- Financial and Consumer Services Commission (New Brunswick)
- Office of the Superintendent of Securities, Prince Edward Island
- Nova Scotia Securities Commission
- Office of the Superintendent of Securities, Newfoundland and Labrador
- Office of the Superintendent of Securities, Northwest Territories
- Office of the Yukon Superintendent of Securities
- Office of the Superintendent of Securities, Nunavut

**Re: CSA Notice and Request for Comment – CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts and ETF Facts and Proposed Amendments to National Instrument 81-102 Investment Funds and Related Consequential Amendments (“Proposed Amendments”)**

Dear Sirs and Mesdames:

This letter is submitted on behalf of the Canadian Exchange-Traded Fund Association (“CETFA”). Based in Toronto, CETFA is the sole exchange-traded fund (“ETF”) association in Canada and represents numerous Canadian ETF providers.



CETFA is the national voice of Canada's ETF industry, representing more than 95% of the country's ETF assets under management. Canadian investors have over \$87 billion invested in more than 380 Canadian-listed ETFs. As ETF usage continues to grow in Canada, CETFA seeks to educate Canadians on the appropriate use of exchange traded funds, as well as work proactively with members and regulators to ensure the ETF industry adopts best practices and standards.

CETFA appreciates the opportunity to provide comments on the Proposed Amendments mandating a CSA risk classification methodology for use by the fund managers for the purpose of determining the investment risk level of conventional mutual funds and exchange-traded mutual funds (ETFs).

CETFA agrees with the substance and purpose of the Proposed Amendments, and generally supports the key changes made to the earlier version of the proposed methodology that was published on December 12, 2013 in CSA Notice 81-324 and Request for Comment Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts. In particular, CETFA supports reverting the Proposed Amendments back to a five-category scale that is more consistent with the standard deviation ranges in the IFIC Methodology.

CETFA also supports standard deviation as a suitable risk indicator for the reasons outlined in the Proposed Amendments, and welcomes its application to exchange traded funds. We believe that standardized risk classification methodology will help to provide investors with meaningful comparisons between conventional mutual funds and ETFs.

With respect to whether standard deviation should be calculated with returns based on market price or net asset value, while only a minority of ETFs would produce a different risk rating by using market value versus net asset value, CETFA supports using net asset value in determining a fund's investment risk level. Using net asset value also allows for consistency with performance reporting and continuous disclosure requirements applicable to mutual funds.

Thank you for this opportunity,

Pat Dunwoody  
Executive Director  
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