

September 14, 2015

British Columbia Securities Commission  
Alberta Securities Commission  
Financial and Consumer Affairs Authority of Saskatchewan  
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

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**Re: CSA Notice and Request for Comment – Mandating a Summary Disclosure Document for Exchange-Traded Mutual Funds and Its Delivery**

**Proposed Amendments to NI 41-101 General Prospectus Requirements and to Companion Policy 41-101CP to NI 41-101 General Prospectus Requirements and Related Consequential Amendments**

Broadridge Investor Communications Corporation (Broadridge) is pleased to respond to the Canadian Security Administrators' (CSA's) notice and request for comment concerning National Instrument 41-101 General Prospectus Requirements (NI 41-101) and to Companion Policy 41-101CP to NI 41-101 General Prospectus Requirements (41-101CP) and Related Consequential Amendments.

## Context

Since the launch of Smart Prospectus over 12 years ago, Broadridge has worked closely with industry partners, regulators and Dealers supporting the evolution of National Instrument 81-101 (NI 81-101). We have been actively involved in the CSA's requests for comment regarding the three stages of amendments to Point of Sale (POS). These rules will result in operational and cost efficiencies, provide more effective communications to investors and efficiently track compliance information. Ultimately, these benefits will result in a richer investor experience.

Now, we are pleased to provide our comments to the CSA regarding NI 41-101. We anticipate that the same benefits provided to the industry and investors through NI 81-101 – and the solutions designed to allow the implementation of these rules – will be realized with the implementation of the proposed rules and similar industry-proven solutions under NI 41-101.

## CSA Issues for Comment on Disclosure and Delivery of “ETF Facts”

On June 18, 2015, the Canadian Securities Administrators (the CSA) published for comment proposed rule amendments that introduce a requirement for exchange-traded funds (ETFs) to prepare and file specified “ETF Facts” documents. Under the proposed rule amendments, Dealers will be required to deliver the applicable ETF Facts document to investors within two days of any trade in an ETF. The proposed rule amendments are to NI 41-101 and 41-101CP, as well as other related instruments, and create a proposed new disclosure form 41-101F4 *Information Required in an ETF Facts Document*.

The proposed ETF disclosure and delivery requirements are intended to mirror the developments in point of sale disclosure that have been introduced for conventional mutual funds, as well as codify regulatory exemptions that were granted to ETF Manufacturers and certain Dealers in the fall of 2013. Under the Exemptive Relief, a summary document replacing the ETF prospectus is currently being delivered by Broadridge to investors that are clients of participating Dealers, accounting for approximately 80% of all ETF assets under management.

The proposed rule amendments bring the summary disclosure documents (ETF Facts) for ETFs, with some disclosure differences, in line with the Fund Facts for conventional mutual funds.

Here, we will comment on some sections of the proposed amendments:

### Comment on costs - point 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.*

For the Dealers already delivering ETF summary disclosure documents, we agree with the statements made by the regulators regarding costs:

*For the Dealers that already deliver a Summary Document to ETF investors under the Exemptive Relief, we believe that the delivery systems are already in place and the compliance and staff costs in overseeing and maintaining the delivery regime should be more or less the same<sup>1</sup>.*

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<sup>1</sup> Proposed Amendments to NI 41-101 *General Prospectus Requirements*



For Dealers already using the Broadridge's ETF Facts solutions under exemptive relief, there will be no cost impact.

For the Dealers currently not delivering ETF Facts, we agree with the statements made by the regulators regarding taking advantage of the existing infrastructure:

*For the Dealers that are not parties to the Exemptive Relief, we think there will be one-time costs to reprogram and update information delivery systems and ongoing costs relating to compliance and staff to oversee and maintain the delivery regime. However, there are a number of third-party service providers that have expertise in creating automated programs and applications for delivery of disclosure documents. To the extent that affected Dealers already have systems in place to accommodate post-sale delivery of the Fund Facts, it may also be possible for those Dealers to leverage those existing systems to implement delivery of the ETF Facts<sup>2</sup>.*

For those not yet using the solution, the cost impact associated with the implementation will be minimal. The Broadridge solution is offered as a business processing outsourced solution and is available as a service. No infrastructure or software development costs need be incurred. We anticipate that implementation of the ETF Facts solution for most of the existing Smart Document Fulfillment clients and onboarding new clients will be without issue.

Over the past 12 years, the industry has recognized significant cost savings in the transition from providing a full prospectus to the Smart Prospectus to delivery of Fund Facts utilizing Broadridge's Smart Document Fulfillment service. This service can be utilized to distribute ETF Facts for the industry without adding material cost. Looking forward, our systems will have the capacity to accommodate the delivery of ETF Facts pre-sale, in line with Point of Sale Stage 3.

In addition, similar to the existing Cost Rebate program in place between Dealers and Mutual Fund Manufacturers, a similar program is currently being used for ETF Facts to provide further cost management efficiency between Dealers and ETF Manufacturers as part of the Broadridge solution.

The implementation of an ETF Facts solution will provide Dealers and Manufacturers with the same operational efficiencies as the existing Fund Facts solution.

**Comment on transition - points 5 and 6.**

*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 current sales practices.*

*We seek feedback from ETF Managers on the appropriate transition period to file the initial ETF Facts. We currently contemplate that 6 months after the date the Proposed Amendments come into force, ETF Managers will be required to file an initial ETF Facts concurrently with a preliminary or pro forma prospectus for their ETFs. Please comment on the feasibility of making the changes to compliance and operational systems that are necessary to produce the ETF Facts, instead of the summary disclosure document pursuant to the Exemptive Relief, within this timeline.*

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<sup>2</sup> Proposed Amendments to NI 41-101 General Prospectus Requirements



Broadridge is committed to supporting our Dealer clients and the industry at large. Our solutions are built and ready to be deployed as required either by regulation or client need. Broadridge has developed a consolidated service for the delivery of ETF Facts and other required documents, and we suggest that the CSA encourage dealers to move to delivery of ETF Facts as they are ready to transition.

**Conclusion**

We appreciate the opportunity to comment on the proposed ETF disclosure and delivery rules. We would be pleased to discuss these issues further if it would be of assistance to the CSA in finalizing the requirements for this investor communication regulation.

Sincerely,

A handwritten signature in black ink that reads "Donna Bristow". The signature is fluid and cursive, with a long horizontal flourish at the end.

Donna Bristow  
Vice President, Business Management and Operations  
Broadridge  
Investor Communication Solutions