



April 12, 2013

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British Columbia Securities Commission  
Alberta Securities Commission  
Saskatchewan Financial Services Commission  
Manitoba Securities Commission  
Ontario Securities Commission  
Autorité des marchés financiers  
New Brunswick Securities Commission  
Registrar of Securities, Prince Edward Island  
Nova Scotia Securities Commission  
Superintendent of Securities, Newfoundland and Labrador  
Superintendent of Securities, Northwest Territories  
Superintendent of Securities, Yukon Territory  
Superintendent of Securities, Nunavut

The Secretary  
Ontario Securities Commission  
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Dear Sirs/Mesdames:

We are writing this letter on behalf of the Canadian Exchange-Traded Fund Association (“**CETFA**”). Based in Toronto, CETFA is the only exchange-traded fund (“**ETF**”) association in Canada, representing 85% of the companies offering ETFs and over 95% of the ETF assets under management in Canada.

CETFA appreciates the opportunity to provide comments on the CSA Discussion Paper and Request for Comment 81-407 *Mutual Fund Fees* dated December 13, 2012 (the “**Consultation Paper**”).



While many of our members have multiple lines of business – the views presented here are from the standpoint of their ETF businesses.

We commend the CSA on initiating the discussion on the mutual fund fee structure in Canada. We also support the CSA's intention to consult extensively with investors and industry participants on this important topic before introducing any significant regulatory changes.

We agree with the CSA that it and the Canadian investment fund industry should continue to monitor the effects of regulatory reforms in this area in other jurisdictions, including those initiated in the United Kingdom, Australia, Europe and the United States. Given how significant many of these reforms are to these markets and given how recently many of these reforms have been adopted, we believe that the Canadian investment fund industry and investors would benefit in the long run to the extent that any regulatory reforms proposed in Canada take into account the experience of these jurisdictions.

The CETFA shares the CSA's concerns with respect to a lack of understanding on the part of many investors regarding the costs of ownership of investment funds and believes that more education and transparency around what the management expense ratio is and the underlying costs associated with it (i.e. trailing commissions), would be of great value to Canadian investors. We strongly support initiatives that provide additional transparency and disclosure for investors and that are implemented in a manner that is practical and easily understood by investors.

The CETFA believes that investment advisors and their clients should have the flexibility to choose how advisory services are compensated. Best practices would suggest that advisor compensation should be transparent and the investor should be informed of what they pay their advisor and how they pay them. The CSA Point of Sale project and the Client Relationship Model Project, phase 2 should help in this regard. We trust that once investors have clear and detailed disclosure, the marketplace will make the appropriate changes. As the result, the CETFA recommends that the CSA allow sufficient time for the implementation of these initiatives to assess their impacts before deciding to proceed with further regulatory changes

We thank you for allowing us the opportunity to comment on the Consultation Paper and would like to be considered as participants of the roundtable scheduled for June 7, 2013. Please feel free to contact the undersigned if you would like further elaboration of our comments.

Yours truly,

*"Pat Dunwoody"*

Pat Dunwoody  
Executive Director,  
Canadian ETF Association