

**Rick Annaert**

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**VIA EMAIL** (comments@osc.gov.on.ca, consultation-en-cours@lautorite.qc.ca)

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

**Attention:**

The Secretary  
Ontario Securities Commission  
20 Queen Street West, 22nd Floor  
Toronto, ON M5H 3S8

Me Anne-Marie Beaudoin  
Corporate Secretary  
Autorité des marchés financiers  
800, square Victoria, 22e étage  
C.P. 246, tour de la Bourse  
Montréal, PQ H4Z 1G3

Dear Sirs and Mesdames:

**Re: Request for Comment**

Manulife Securities Incorporated (“Manulife Securities”) is writing in response to the CSA Notice and Request for Comment dated June 18, 2015 in respect of proposed amendments to National Instrument 41-101 *General Prospectus Requirements*, Companion Policy 41-101CP to National Instrument 41-101 *General Prospectus Requirements* and related consequential amendments to National Instrument 81-106 *Investment Fund Continuous Disclosure* (collectively, the “Proposed Amendments”). Manulife Securities understands the CSA wants to ensure that investors are provided with key information about Exchange Traded Funds (“ETFs”) in a clear, precise, easily understandable fashion. We respectfully

submit that taking into consideration the comments below on certain aspects of the Proposed Amendments will assist in achieving this goal.

## Issues for Comment

### 1. Content of the ETF Facts

- a) Under “Quick Facts”, the removal of or a clarification to “Number of days traded” should be considered. We think that particular data is of marginal use and are concerned that investors may be misled into thinking that ETFs provide limited liquidity i.e. can only be traded on certain days.
- b) In respect of the “Market price” section, the last bullet point could be drafted in a manner that provides more accurate information. The sentence currently reads “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.” The first sentence is correct in so far as the underlying holdings of the ETF are concerned. However, a smaller bid-ask spread does not necessarily mean that the retail investor’s liquidity is impacted; a redemption will always be available to him or her. It would be more accurate to say that the smaller bid-ask means there is a lower opportunity trading cost in the ETF.
- c) The “Year-by-year returns” chart is based on the net asset value (“NAV”) of the ETF. Manulife Securities suggests that a return chart based on the market price of the ETF would be preferable. That would assist the investor in understanding a further distinction between ETFs and mutual funds (i.e. the value at which each investment trades) and would clarify the returns that are actually available.
- d) Manulife Securities recommends adding a section to ETF Facts showing dividend yield. This would provide information about the income potential of the ETF, which may be relevant to the investor’s investment objectives. In addition, a section that discusses liquidity, as well as the nature of primary and secondary markets, would give the investor an enhanced understanding of the difference between ETFs and mutual funds.
- e) Manulife Securities has concerns regarding the paragraph on page three of the ETF Fact sheet that alleges “Higher commissions can influence representatives to recommend one investment over another.” It is notable that Fund Facts do not include such language. In Manulife Securities’ view, it is unfair and unbalanced to include such a statement in one information sheet but not another. In addition, the sentence implies that investment advisors might recommend unsuitable investments in order to receive increased compensation. Manulife Securities respectfully submits that this is an opinion and is not properly within the scope of ETF Facts.

### 2. Anticipated Costs of Delivery of the ETF Facts

Approximately 11,200 purchases of ETFs were made through Manulife Securities during 2014. It is anticipated that MFDA advisors will soon be permitted to sell ETFs and as a result, the volume of trades will continue to rise. (Manulife Securities is an IIROC dealer; Manulife Securities Investment Services Inc. is an MFDA dealer.) Manulife Securities currently contracts with Broadridge Investor Communications to issue confirmations, along with the associated mutual fund Fund Facts. Assuming our supplier’s cost of printing and emailing ETF Facts is the same as Fund Facts, the annual delivery cost is estimated to be \$50,000. Manulife Securities does not yet have a quote for any one-time start-up or testing costs.



We note that the ability of dealers to begin to deliver ETF Facts will be contingent on their respective suppliers' system preparedness. Accordingly, Manulife Securities recommends that supplier readiness be taken into consideration when determining timelines for implementation of the Proposed Amendments.

In addition, Manulife Securities recommends a full exemption from the requirement to deliver ETF Facts for managed accounts. The very nature of managed accounts is such that delivery to the investor is unnecessary and in general, likely to be unwelcome or confusing. Of course, ETF Facts should be readily available upon request to any investor who might want to receive them.

### 3. Right for withdrawal of purchases

Manulife Securities appreciates why the CSA has proposed a right of withdrawal for purchases made in the secondary market in connection with delivery of ETF Facts. However, controls should be put in place in order to protect both the investor and the dealer, as well as to avoid speculative trading. In particular, Manulife Securities is of the view that it would be prudent to require that:

- The right of withdrawal must be exercised within 48 hours of receipt of the ETF Facts
- Upon notice of exercise of the right, the dealer must make best efforts to sell the ETF as soon as possible with net proceeds of the sale being paid to the investor
- The dealer must not be required to guarantee a return of the full purchase amount
- The right of withdrawal can only apply to purchases less than \$50,000 CAD
- The dealer cannot be permitted to incur any cost or profit in respect of an investor exercising the right

Manulife Securities appreciates the opportunity to comment on the Proposed Amendments. If you have any questions about our submission or wish to discuss the matter further, please do not hesitate to contact the undersigned.

Yours very truly,



Rick Annaert  
President & CEO

*(Electronic signature)*

