

For Immediate Release**August 10, 2023****Canadian securities regulators initiate review of exchange-traded funds**

Toronto – The Canadian Securities Administrators (CSA) is launching a review of exchange-traded funds (ETFs). ETFs are an increasingly popular investment vehicle, offering exposure to a variety of underlying assets and investment strategies, with intraday liquidity on the secondary market. ETFs comprise approximately 15% of total publicly offered investment fund assets in Canada,¹ and are expected to continue to grow.

Throughout 2023, the CSA will assess whether the current regulations applicable to ETFs remain appropriate, focusing on the unique features of ETFs, i.e., secondary market trading, creation and redemption of ETF units by authorized dealers, and the arbitrage mechanism that acts to keep the market price of an ETF close to the underlying value of its portfolio.

“Canada is a pioneer in ETFs, launching the first ETF in the world over three decades ago. ETFs are an increasingly important investment vehicle for Canadian investors, and the CSA’s review of ETFs will provide us with important insight into the functioning of the ETF market,” said Stan Magidson, Chair of the CSA and Chair and CEO of the Alberta Securities Commission. “The review will help the CSA determine whether any additional requirements are needed as the industry continues to grow and innovate. A regulatory framework that is appropriately tailored to the unique ETF structure will foster competition and facilitate more investment choices for investors.”

The CSA will conduct an analysis of the ETF market, including assessing secondary market activity and factors that may affect their liquidity and trading. The CSA’s review of ETFs will also consider whether the Good Practices Relating to the Implementation of the IOSCO Principles for Exchange Traded Funds published by the International Organization of Securities Commissions in May 2023 are appropriate for the Canadian market.

The information obtained from the CSA’s review of ETFs will help determine whether consultations and/or regulatory changes are needed to enhance the regulatory framework applicable to ETFs.

The CSA, the council of the securities regulators of Canada’s provinces and territories, coordinates and harmonizes regulation for the Canadian capital markets.

¹ OSC Staff Notice 81-733 *Summary Report for Investment Fund and Structured Product Issuers* (October 19, 2022).

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