



NEWS RELEASE

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Canadian ETF Dynamics, Risks and Outlook IIAC Study

Toronto, ON, January 7, 2019 – The Investment Industry Association of Canada (IIAC) released a [Study](#) that analyzes some of the risks Canada’s ETF market may face in the unlikely event of crisis conditions in global markets.

While ETF liquidity is generally perceived as more robust than the underlying equity and bond sectors, concerns have been raised related to whether this perceived liquidity could wither under pressure in response to crisis conditions including heavy selling and collapsing values in underlying investments. These concerns have intensified as more ETF structures and providers have entered the marketplace in the last few years.

“Regulators in Canada and in global markets closely monitor trends in the ETF markets as part of their ongoing systemic oversight of financial markets,” said Ian Russell, President and CEO, Investment Industry Association of Canada. “This Study concludes the rapidly growing ETF marketplace is robust, liquid and well diversified.”

While ETFs have not been tested in a protracted bear market, there has been no evidence of issues in recent market downturns. Despite this positive outlook, there are steps that ETF providers can take to help ensure liquidity continues to be a non-issue. Recommendations include:

- ETF providers need to keep current on changes in regulations, tax and accounting rules and provide this information to investors and adjust their suite of offerings to take into account effects of these changes.
- ETF providers need to be willing to retire products and strategies that underperform and, in their place, develop new products.
- Because the ETF structure is well suited to product development and distribution through traditional and digital advice platforms in a cost-effective manner, the ETF sector will likely continue to experience strong growth into the foreseeable future. However, with this anticipated growth in the total size of the market, including some riskier strategies and a greater number of ETF providers and Authorized Participants, investors and regulators must remain informed and diligent when evaluating the risks and benefits of new products.

The IIAC – Representing Canada’s Investment Dealer Firms

The Investment Industry Association of Canada (IIAC) is the national association representing the investment industry’s position on securities regulation, public policy and industry issues on behalf of our 120 IIROC-regulated investment dealer Member firms in the Canadian securities industry. These dealer firms are the key intermediaries in Canadian capital markets, accounting for the vast majority of financial advisory services, securities trading and underwriting in public and private markets for governments and corporations. The IIAC provides leadership for the Canadian securities industry with a commitment to a vibrant, prosperous investment industry driven by strong and efficient capital markets. For more information, please visit www.iiac.ca.

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