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For Immediate Release

FAIR Canada Issues Update on Leveraged and Inverse ETFs: *Report Calls on Regulators to Act to Protect Investors*

Toronto, ON – July 13, 2009 | FAIR Canada released a report today on leveraged derivative ETFs entitled **"The Strange Case of Leveraged and Inverse ETFs, Part 2: A Few Steps Forward; Much Remains to be Done."** The report notes positive steps being taken to protect investors in these complex products including:

1. The self-regulatory organizations IIROC in Canada and FINRA in the U.S. have issued notices to their members alerting them to the dangers of these complex derivative products, and reminding members of their due diligence and suitability obligations to their customers in trading leveraged and inverse ETFs.

2. The financial press has covered the issue extensively, while Morningstar, index investing pioneer John Bogle and other financial industry observers continue to issue reports educating the financial industry, regulators and hopefully retail investors about the risks posed by these complex products.

3. Prospectus disclosure is slowly improving in both Canada and the U.S.

FAIR Canada Executive Director Ermanno Pascutto said: *"These initial changes are encouraging, but much remains to be done to protect retail investors from the risks posed by leveraged, inverse and commodity ETFs. These derivatives-based ETFs are like wolves in sheep's clothing. On the surface they look like plain vanilla ETFs, but they have very different holdings, returns and risks. Extensive advertising lures investors based on incorrect inferences as to the correlation of the products to their underlying index or commodity. People who "invest" in these ETFs for a length of time are likely to suffer significant losses even if they guess correctly on the direction (i.e. bull or bear). Over the last 12 months, 5 of the 9 pairs of leveraged ETFs listed on the TSX lost money (i.e. both bull and bear were losers)."*

FAIR Canada calls for the Canadian Securities Regulators to Step Up

The Canadian provincial securities commissions ("CSA") are responsible for supervising the issuers of these complex derivatives-based ETFs. The regulators set prospectus disclosure standards and review the prospectus for compliance with the standards. They also set the rules governing advertising of leveraged, inverse and commodity ETFs.

In the report, FAIR Canada calls on Canadian regulators to take specific steps to protect individual investors:

1. Improve prospectus disclosure. The prospectus should include warnings in plain language that these are day trading products for sophisticated investors and that they do not deliver their promised performance for longer than a day.

2. Implement risk disclosure and acknowledgment requirements for any retail investor who wishes to trade these products, similar to requirements for trading derivatives such as options and futures contracts.

3. Issue specific guidance on advertising and require warnings on both advertising materials and websites. Regulators should review existing print, TV and web-based advertising and enforce restrictions on misleading advertising through disciplinary proceedings.

4. These complex derivative products should be given a different name to distinguish them from plain vanilla ETFs. FAIR Canada suggests calling them Listed Derivative Products or LDPs.

5. The CSA should work with IIROC and the industry to undertake research into all of the issues posed by leveraged, inverse and commodity ETFs, as well as the impact of other structured products based on complicated derivatives. This study should not be a substitute for steps 1 through 4.

FAIR Canada Associate Director Steve Garmaise said: *"This is not a small problem. Canadian investors now hold $2.5 billion of Horizons BetaPro products, plus an unknown amount of U.S. leveraged, inverse and commodity ETFs. Urgent action to protect retail investors is needed."*

INVESTOR EDUCATION

In the report, FAIR Canada calls on the TSX, the financial press and investor education organizations to better educate retail investors to protect them from potentially harmful investment products.

The TSX prides itself on being a global leader in the listing and trading of ETFs. Yet the TSX's new ETF website blends riskier leveraged inverse and commodity ETFs with their plain vanilla counterparts. The TSX site contains no warnings about the risks that these complex products pose to retail investors. Links are only to press releases announcing new ETF issues. There is no mention of the many risks disclosed in the prospectus, the recent IIROC notice, the FAIR Canada report, or the large base of accumulated literature from the U.S. and Canadian financial press, blogs and consultants on the dangers these products pose to investors.

The report also notes that too many segments on financial television consist largely of cheering on the industry. And too many reports in the financial and general press consist largely of issuer press releases. Despite changes in business models and squeezed resources for editorial coverage, never has the need for critical distance and real analysis been greater.

ABOUT FAIR CANADA

FAIR Canada is a non-profit, independent national organization dedicated to representing the interests of Canadian investors. The mission of FAIR Canada is to be a voice for investors in securities regulation and a catalyst for enhancement of the rights of Canadian shareholders and retail investors. Visit www.faircanada.ca for more information.

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