



Canadian Securities
Administrators

Autorités canadiennes
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Canadian Securities Administrators Publish Final Amendments Mandating a CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts and ETF Facts

Montreal – The Canadian Securities Administrators (CSA) today published final amendments that require fund managers to use a standardized CSA mutual fund risk classification methodology (Methodology) to determine the investment risk level of conventional mutual funds and exchange-traded mutual funds (ETFs) (collectively referred to as “mutual funds”) in the Fund Facts and ETF Facts, respectively.

Currently, fund managers must identify a mutual fund’s risk level on a five-category scale (ranging from Low to High) prescribed in the Fund Facts, and the Methodology is chosen at the fund manager’s discretion.

“We think that a mandated standardized risk classification methodology will provide for greater transparency and consistency of investment risk levels across mutual funds,” said Louis Morisset, Chair of the CSA and President and CEO of the Autorité des marchés financiers. “The use of such a methodology will allow investors to more readily compare the investment risk levels of different mutual funds.”

The CSA published for comment proposed amendments introducing the Methodology in December 2015 (the “2015 Proposal”). The majority of commenters supported the implementation of a standardized and mandatory risk classification methodology to determine a mutual fund’s investment risk level on the risk scale in the Fund Facts and the ETF Facts. After considering the comments received, the CSA made some non-material changes to the 2015 Proposal.

Provided all necessary Ministerial approvals are obtained, the amendments will come into force on March 8, 2017. Starting September 1, 2017, the investment risk level of conventional mutual funds and ETFs must be determined by using the Methodology for each filing of a Fund Facts or ETF Facts, and at least annually.

In a separate release published today, the CSA also announced the publication of final amendments mandating a summary disclosure document and delivery regime for ETFs.

All of the above amendments can be found on CSA members’ websites.

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

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