

**For Immediate Release
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Canadian Securities Regulators Seek Comments on a Mutual Fund Risk Classification Methodology

Montréal - The Canadian Securities Administrators (CSA) today published for comment proposed amendments that would require fund managers to use a standardized risk classification methodology (the Proposed Methodology) when determining a risk level for conventional mutual funds and exchange-traded mutual funds (ETFs) in the Fund Facts and in the proposed 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 for determining the risk level is chosen at fund managers' discretion.

The CSA developed the Proposed Methodology in response to feedback received throughout the course of the point of sale disclosure project regarding the lack of consistency in investment risk level disclosure for mutual funds.

In December 2013, the CSA published CSA Notice 81-324 and Request for Comment *Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts* for consultation, and the input received informed the Proposed Methodology.

The Proposed Methodology includes the following features:

- applies to both conventional mutual funds and ETFs;
- uses standard deviation based on 10 years of a mutual fund's performance history;
- allows the use of a reference index to act as a proxy for mutual funds that do not have 10 years of performance history;
- retains the prescribed five-category risk scale, ranging from Low to High, currently in the Fund Facts, and in the proposed ETF Facts; and
- requires the investment risk level to be determined for each filing of the Fund Facts or ETF Facts, as applicable, and at least annually.

"The introduction of a standardized mutual fund risk classification methodology will result in greater transparency and consistency, which will allow investors to more readily compare the investment risk levels of different mutual funds," said Louis Morisset, Chair of the CSA and President and CEO of the Autorité des marchés financiers. "We believe that the Proposed Methodology will benefit both investors and market participants," he concluded.

The CSA welcomes feedback on the Proposed Methodology, which can be found on CSA members' websites. The 90-day comment period will close on March 9, 2016.

The CSA, the council of the securities regulators of Canada's provinces and territories, co-ordinates and harmonizes regulation for the Canadian capital markets.

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