PRIMERICA®

Head Office/Siège Social
2000 Argentia Road,
Plaza V, Suite 300
Mississauga, ON L5N 2R7

Mailing Address/Adresse postale:
P.O. Box 174/C.P. 174
Streetsville, ON L5M 2B8

March 12, 2014

British Columbia Securities Commission
Alberta Securities Commission
Financial and Consumer Affairs Authority of Saskatchewan
Manitoba Securities Commission
Ontario Securities Commission
Autorité des marchés financiers
Financial and Consumer Services Commission (New Brunswick)
Superintendent of Securities, Department of Justice and Public Safety, Prince Edward Island
Nova Scotia Securities Commission
Securities Commission of Newfoundland and Labrador
Superintendent of Securities, Northwest Territories
Superintendent of Securities, Yukon
Superintendent of Securities, Nunavut

Attention:

Me Anne-Marie Beaudoin
Corporate Secretary
Autorité des marchés financiers
800, square Victoria, 22e étage
C.P. 246, tour de la Bourse
Montréal (Québec) H4Z 1G3

The Secretary
Ontario Securities Commission
20 Queen Street West
22nd Floor, Box 55
Toronto, Ontario M5H 3S8

Dear Sirs / Madames:

Re: CSA Notice 81-324 and Request for Comment *Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts*

PFSL Investments Canada Ltd. ("Primerica") appreciates the opportunity to submit comments with respect to the Canadian Securities Administrators' ("CSA") CSA Notice 81-324 and Request for Comment Proposed CSA Mutual Fund Risk Classification Methodology for Use in Fund Facts December 12, 2013. PFSL is one of the largest mutual fund dealers in Canada and is a member of the Primerica Financial Services group of companies.

The CSA proposes to mandate the use of its own risk classification methodology, using standard deviation as the sole determinant of fund risk. We respectfully submit that it would be more appropriate and less disruptive to the fund industry if the CSA adopted the Investment Funds

Institute of Canada ("IFIC") guidelines as the standardized classification methodology, since it is already being used by the majority of industry.

We believe that the IFIC guidelines serve investors and the industry well and fully addresses and satisfies all of the objectives of the CSA, and does so in a more complete and effective manner. The IFIC guidelines allow for easy comparison across funds by developing and maintaining standard processes, terminology, categories and volatility risk descriptions of funds. Given that most of the industry is already complying with the IFIC guidelines, they can uniformly be mandated and easily adopted by industry within a short period of time.

The CSA desires to mandate that a mutual fund's standard deviation be disclosed by identifying where the fund fits on a six category volatility scale, which differs from the scale used under the IFIC guidelines and mandated by the Fund Facts form. The proposed CSA methodology will result in many funds having their risk re-cast into an apparently higher risk category, without any associated change in the fund's actual risk profile. This will lead investors to believe that risk in their portfolio has increased, when in fact no such change has occurred.

Re-labeling the current risk categories would result in a perceived and wide scale suitability "crisis" in which previously identified client risk tolerances are no longer aligned to the fund categories they hold. It is clear that his kind of disruption will be highly confusing to investors. Were this initiative to move forward as drafted, we would ask that in order to reduce the impact on the client the CSA should allow for an automatic conversion of client risk tolerances to the matching new category label.

We question whether the benefits of changing the number of risk bands is worth the confusion that such a change may cause in the market and the cost that the industry will need to bear to adopt its system and processes.

It can be difficult for a client to understand the actual risk of a fund without a basis of comparison. Under the current proposal, the fund managers will state that a fund fits into a certain risk band. By presenting that a fund is located inside a certain risk band does not show the actual risk level of a fund within that band. To give a more accurate description, the client needs to know if the fund is at the top or lower end of the band. In order to better service the client and to provide a clearer picture of the actual risk level of the fund, we propose that, rather than increase the number of categories available, the CSA simply require a line be drawn on the current volatility scale at the exact standard deviation for the fund. In this manner, a client would have a more correct indication of the relative risk level for a fund and an easy way to compare funds with similar mandates, and the need to re-label categories and/or increase the number of categories is reduced. To illustrate this idea, we have attached a mockup in Annex A to this document. This could be easily adopted within the current IFIC methodology, minimizing the disruption to the industry and its client base.

The CSA is also proposing that fund managers monitor the standard deviation of their funds on a monthly basis. If a new monthly calculation shows a different standard deviation, the fund may full into a different risk category which is a material change to the fund and which would initiate various disclosure filings and the material change report. Such a dramatic requirement may produce disruption to business operations across the industry. To help reduce this disruption for fund managers, the CSA should allow flexibility for funds to move slightly up or down before the requirement to file as a new risk category. For example, if a fund moves from a score of 11 to 12.1 it should not need to be reclassified until the standard deviation score reaches 12.3. Similarly, were a fund to fall to 11.9 it would not automatically be reclassified downward, but rather wait until the number falls to, say, 11.7 before reclassifying it. Giving the fund manager discretion around the transition points would minimize the number of changes as a fund oscillates around a breakpoint, providing clients and their advisors a relative degree of certainty about a fund's classification over time. If the CSA believes, the standard deviation for a mutual fund would not change much from month to month, and then it may be more appropriate to maintain an annual review that is recommended by the IFIC guidelines.

The proposal recommends an annualized standard deviation of the fund over the past 10 years. While that number may be relatively more stable than the current IFIC guideline which uses an average of the 3 and 5 year number, it also reflects a period when the fund may have had a very different profile or mandate. We submit that the IFIC timeframe may be more appropriate in measuring the current risk profile of a fund. The proposed methodology does not include the use of qualitative factor or fund managers discretion to override the quantitative calculation. It's important that fund managers be provided with discretion when classifying funds, in order to maintain consistency year over year. While we recognize the CSA concern that fund managers may use qualitative factors to justify the risk profile of a fund that does not fit within the standard deviation category, companies should be prepared to defend their judgments, should a regulatory enquiry occur.

PFSL appreciates the opportunity to comment on this important issue and we look forward to any further public discussion on this topic. Should you have any questions or wish to discuss these comments, please feel free to contact us.

Sincerely

JAdams

John A. Adams CPA, CA
Chief Executive Officer

Annex A: Indication of a fund's risk level within the broad category

XYZ Mutual Funds

FUND FACTS

XYZ Canadian Equity Fund – Series B
June 30, 20XX
Fund Code: XYZ123

This document contains key information you should know about XYZ Canadian Equity Fund. You can find more details in the fund's simplified prospectus. Ask your dealer representative for a copy, contact XYZ Mutual Funds at 1-800-555-5556 or investing@xyzfunds.com, or visit www.xyzfunds.com.

Quick facts

Date series started:	March, 31, 2000	**Fund manager:**	XYZ Mutual Funds
Date fund started:	January 1, 1996	**Portfolio manager:**	Capital Asset Management Ltd.
Total value of series on June 1, 20XX:	$350 million	**Distributions:**	Annually, on December 15
Total value of fund on June 1, 20XX:	$1 billion	**Minimum investment:**	$500 initial, $50 additional
Management expense ratio (MER):	2.25%		

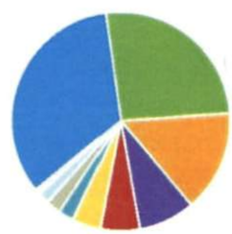
What does this fund invest in?

The fund invests in Canadian companies. They can be of any size and from any industry. The charts below give you a snapshot of the fund's investments on June 1, 20XX. The fund's investments will change.

Top 10 investments (June 1, 20XX)

1. Royal Bank of Canada	7.5%
2. Toronto-Dominion Bank	7.1%
3. Canadian Natural Resources	5.8%
4. The Bank of Nova Scotia	4.1%
5. Cenovus Energy Inc.	3.7%
6. Suncor Energy Inc.	3.2%
7. Enbridge Inc.	3.1%
8. Canadian Imperial Bank of Commerce	2.9%
9. Manulife Financial Corporation	2.7%
10. Canadian National Railway Company	1.9%
The top 10 investments make up 42% of the fund.	
Total number of investments	**93**

Investment mix (June 1, 20XX)



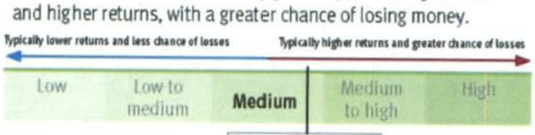
Industry	
Financial services	34.0%
Energy	26.6%
Industrial goods	16.5%
Business services	6.4%
Telecommunication	5.9%
Hardware	3.7%
Healthcare services	2.3%
Consumer services	2.1%
Media	1.9%
Consumer goods	0.6%

What are the risks of this fund?

All investments involve risks. Understanding those risks can help you choose the right fund for you.

Investment risk. When you invest in a fund, the value of your investment can go down as well as up. In some cases, you may see large changes in value. These changes can happen quickly.

XYZ Mutual Funds is required to rate the level of risk of its funds. The scale ranges from Low to High based on how the fund is invested and the level of risk and return involved. In most cases, a lower rating means lower risk and lower returns, with a lower chance of losses. A higher rating generally means higher risk and higher returns, with a greater chance of losing money.



The risk category shown is not fixed and may change over time. The lowest category does not mean there is no risk. A fund that is rated on the low end of the risk scale can still lose money.

Other specific risks. To understand risk better, you may also want to look at the specific risks for this fund and how they could affect its value. XYZ Mutual Funds has identified these top risk factors for the fund:

- **Active Management Risk**
- **Equity Risk**
- **Specialization Risk**

For a full list of this fund's risk factors and details about them, see the Risk section of the fund's simplified prospectus.