



Mutual Fund Dealers Association of Canada
Association canadienne des courtiers de fonds mutuels

Contact: Paige Ward
General Counsel, Corporate Secretary & Vice-President, Policy
Phone: 416-943-5838
E-mail: pward@mfda.ca

BULLETIN #0623 – P
December 19, 2014

MFDA Bulletin

Policy

For Distribution to Relevant Parties within your Firm

Approval of Phase 2 CRM2 Amendments to Rules 2.8.3 (Rates of Return), 5.3 (Client Reporting), 5.4 (Trade Confirmations) and MFDA *Financial Questionnaire and Report (Form 1)*

Background

On March 28, 2013, the Canadian Securities Administrators (“CSA”) published Client Relationship Model Phase 2 (“CRM2”) amendments to National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* (“NI 31-103”) and the Companion Policy to the Instrument. The CRM2 amendments introduce requirements under NI 31-103 in the areas of client statements, charges and compensation disclosure and performance reporting. These amendments came into force on July 15, 2013. Transition periods of one, two or three years have been provided for most of the new requirements.

MFDA Conforming Amendments – Phase 1 and 2

Phase 1 Amendments

Conforming amendments were required to MFDA Rules to make them consistent with requirements under NI 31-103. MFDA staff addressed conforming amendments to MFDA Rules in two phases. Phase 1 amendments relate to requirements under MFDA Rules 2.2.5 (Relationship Disclosure) and 2.4.4 (Transaction Fees or Charges). Conforming changes were also made to Rule 5.4.2 (Trade Confirmations – Automatic Payment Plans). These changes came into effect on **July 15, 2014**.

Phase 2 Amendments

Phase 2 amendments relate to requirements under MFDA Rules 2.8.3 (Rates of Return), 5.3 (Client Reporting), 5.4 (Trade Confirmations) and MFDA Financial Questionnaire and Report (Form 1). On June 12, 2014, the British Columbia Securities Commission (“BCSC”) published the proposed Phase 2 CRM2 amendments for a 90 day public comment period that expired on September 10, 2014. Nine submissions were received during the public comment period. A summary of comments received and MFDA responses is attached as Schedule “A” to this Bulletin. Following minor changes made to address comments received during the public comment period, the proposed Phase 2 CRM2 amendments, as revised, were brought forward and approved by Members at the 2014 Annual General and Special Meeting of Members (“AGM”), held on December 3, 2014.

On December 18, 2014, the securities regulatory authorities in Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Prince Edward Island and Saskatchewan (the “Recognizing Regulators”) published a notice in which they approved/did not object to these public interest amendments.

The Phase 2 CRM2 amendments fall into two categories: (1) those that have received all requisite approvals and are now in effect; and (2) those that have received all requisite approvals and are subject to transition periods. A table summarizing the effective date for each of these requirements is attached to this Bulletin as Schedule “B”.

1. Amendments in Effect

The amendments discussed in this section have received all requisite approvals, are now in effect and attached as Schedule “C” to this Bulletin.

Exempt Market Dealers and Scholarship Plan Dealers – Client Reporting (Rule 5.3.6): Under this requirement, where a Member is also registered as: (a) an exempt market dealer, and a client has purchased a security from the Member that is sold pursuant to an exemption under securities legislation; or (b) as a scholarship plan dealer, and a client has invested in a scholarship plan through the Member, the Member must comply with any additional client reporting requirements applicable to exempt market dealers and scholarship plan dealers, as set out under securities legislation.

Trade Confirmations – Content (Rule 5.4.3): Rule 5.4.3 prescribes the content requirements for trade confirmations required to be delivered by Members. Rule 5.4.3 has been amended to adopt requirements established under NI 31-103. With the exception of subsection 5.4.3(e), all amendments made to Rule 5.4.3 are now in effect.

Relationship Disclosure (Rule 2.2.5): Rule 2.2.5 requires that, on account opening, Members provide all clients with core information about the nature of their relationship with the Member and its Approved Persons. The amendments to Rule 2.2.5 further clarify requirements under the Rule and conform to requirements under NI 31-103 with respect to the disclosure of transaction

charges. Under new subsection 2.2.5(h), Members will be required to describe the type of transaction charges that the client might be required to pay.

Service Fees or Charges (Rule 2.4.3): Under Rule 2.4.3, no Member shall impose on any client or deduct from the account of any client any service fee or service charge relating to services provided by the Member in connection with the client's account unless written notice shall have been given to the client on the opening of the account or not less than 60 days prior to the imposition or revision of the fee or charge. The amendments to Rule 2.4.3 further clarify requirements under the Rule and conform to requirements under NI 31-103, with respect to the disclosure of operating charges. Rule 2.4.3 has been amended to clarify that written notice of operating charges is required to be provided at account opening.

Transaction Fees or Charges (Rule 2.4.4): Rule 2.4.4 requires that, prior to the acceptance of any order in respect of a transaction in a client account, the Member inform the client of any sales charge, service charge or any other fees or charges to be deducted in respect of the transaction. The amendments to Rule 2.4.4 require Members to provide clients with disclosure in respect of: any transaction charges paid to the Member, regardless of the type of investment; and charges in respect of the purchase or sale of a security. "Transaction charges" are amounts charged by the Member and, thus, known to the Member (e.g. switch fees or transaction fees). Disclosure of "charges in respect of the purchase or sale of a security" would include charges paid to a securities issuer in respect of a transaction (e.g. short-term trading fees or redemption fees).

2. Amendments Subject to Transition Periods

The amendments discussed in this section have received all requisite approvals and are subject to transition periods. Requirements related to account statements come into effect on **July 15, 2015** and are attached as Schedule "D" to this Bulletin. Requirements related to charges and compensation disclosure and performance reporting requirements come into effect on **July 15, 2016** and are attached as Schedule "E".

Amendments in Effect on July 15, 2015

Client Reporting (Rule 5.3)

The following changes have been made to Rule 5.3.2 (Content of Account Statement), to conform to requirements under NI 31-103:

- Separate account statement content requirements for client name and nominee name accounts have been removed. Under the amendments to Rule 5.3.2, all account statement content requirements will now apply to both client name and nominee name accounts;

Requirements in respect of account statement content have been divided into:

- General Information (account type, number, period covered by the statement, etc.);
- Account Activity (transaction information);

- Market Value and Cost Reporting (including reporting in respect of the market value and cost of investment positions in an account at the Member during the period covered by the statement);

Conforming amendments under Rule 5.3.2 will also require account statements to disclose the following information:

- The name of the party that holds or controls each investment and a description of the way it is held;
- Which securities may be subject to a deferred sales charge if they are sold; and
- Disclosure, established by the MFDA IPC, respecting IPC coverage.

MFDA Financial Questionnaire and Report (Form 1)

The MFDA Phase 2 CRM2 amendments revise the definition of market value and make amendments to Form 1. The purpose of these revisions is to ensure that the Form 1 definition of market value is consistent with requirements under NI 31-103 respecting the determination of market value. In addition, the Form 1 revisions are intended to avoid Member confusion by adopting a single definition of “market value” for the purpose of client reporting and financial solvency reporting. The revisions to Form 1 will become effective on **July 15, 2015**

Requirements in Effect on July 15, 2016

Charges and Compensation Disclosure (Rule 5.3.3)

Under NI 31-103, Members will be required to provide each client with an annual summary of charges paid by the client and compensation received by the Member, as specified under the Instrument, during the 12 month period covered by the report. Rule 5.3.3 (Report on Charges and Other Compensation), conforms to requirements under NI 31-103 by: directly adopting charges and compensation disclosure requirements established under the Instrument; and by requiring charges and compensation disclosure only in respect of transactions in securities.

Performance Reporting (Rule 5.3.4)

Under NI 31-103, Members will be required to provide an annual investment performance report to clients. The performance report must include: the annual change in the value of the client’s account for the 12 month period covered by the report; the cumulative change in the market value of the account, since the account was opened; and the annualized total percentage return for the client’s account or portfolio, using a dollar-weighted methodology, for a 1, 3, 5 and 10 year period and since account inception. Rule 5.3.4 (Performance Report) conforms to requirements under NI 31-103 by directly adopting performance reporting requirements established under the Instrument, as summarized above. Under Rule 5.3.4, performance reporting is required to be provided in respect of all investments required to be reported on the account statement (i.e. all securities and other investment products transacted through, or transferred into, the Member).

Performance Reporting (Policy No. 7)

NI 31-103 contains detailed requirements in respect of performance reporting. In an effort to ensure that the proposed amendments remain relatively consistent with the current structure and format of the MFDA Rulebook, some of these requirements have been adopted in a Policy. The requirements addressed in Policy No.7 (Performance Reporting), have been adopted directly from NI 31-103 and include: content of the performance report; calculation of annual/cumulative change in market value; annualized total percentage return; and presentation requirements for information in the performance report.

Rates of Return (Rule 2.8.3)

Performance reporting under NI 31-103 prescribes requirements, including calculation methodologies, in respect of the provision of an annualized rate of return and percentage return information. These requirements have been adopted under Rule 5.3.4 (Performance Report) and Policy No. 7 (Performance Reporting). Rule 2.8.3 addresses similar subject matter in respect of client communications that contain or refer to a rate of return. The amendments clarify that the requirements of Rule 2.8.3, respecting the determination of an annualized rate of return, are not intended to replace the calculation methodology and other related requirements under Rule 5.3.4. The amendments to Rule 2.8.3 will come into effect on **July 15, 2016**.

Trade Confirmations - Content (Rule 5.4.3(e))

Rule 5.4.3(e), as amended, requires the trade confirmation to include disclosure respecting the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction and the total amount of all charges in respect of the transaction.

docs#404980v3

Schedule “A”

On June 12, 2014, the BCSC published the proposed Phase 2 CRM2 amendments for a 90 day public comment period that expired on September 10, 2014. Nine submissions were received during the public comment period. The following is a summary of comments received and MFDA responses.

Nine submissions were received during the public comment period:

1. Kenmar Associates (“Kenmar”) (submission dated June 20, 2014);
2. Kenmar (submission dated September 15, 2014);
3. Tangerine Investments (“Tangerine”);
4. Canadian Foundation for Advancement of Investor Rights (“FAIR Canada”);
5. B2B Bank Financial Services (“B2B”);
6. Royal Mutual Funds Inc. / Phillips, Hager & North Investment Funds Ltd. (“RMFI / PH&N IF”);
7. The Investment Funds Institute of Canada (“IFIC”);
8. Univeris Corporation (“Univeris”); and
9. The Small Investor Protection Association (“SIPA”).

Copies of the comment submissions may be viewed on the MFDA website at: <http://www.mfda.ca/regulation/comments.html>

The following is a summary of the comments received, together with the MFDA's responses.

General Comments

Three commenters generally supported the proposed conforming MFDA Rule amendments, noting that providing information to investors before the purchase of a security and providing meaningful account statements after the purchase are essential components for increasing an investor's ability to make informed decisions.

MFDA Response

We acknowledge these comments, including those expressing support for the proposed amendments. The purpose of the proposed amendments is to ensure that requirements under MFDA Rules are consistent with those introduced into NI 31-103 as a result of Phase 2 of the CSA's CRM2 amendments.

Client Reporting (Rule 5.3)

Definitions

One commenter referenced the definition of “trailing commission”, set out under proposed Rule 5.3(1)(f), noting that the definition is inaccurate, meaningless and needs to be reworked. This commenter also noted that disclosure regarding the payment of trailing commissions, as set out under proposed Rule 5.3.3(1)(g), also needs to be reworked.

Content of Account Statement

One commenter sought clarification and raised comments in respect of the following requirements under the proposed amendments:

- i. Clarification was sought as to whether reference to “the date of the transaction”, as set out under proposed Rule 5.3.2(b)(i), is intended to mean Trade Date or an alternative date;
- ii. The commenter noted that the requirement for account statements to disclose the total cost of all investment positions, as set out under proposed Rule 5.3.2(c)(ii), is in conflict with section 5.3(1)(a)(i) and (ii). Specifically, the commenter indicated that the definitions for “book cost” and “original cost” allow presentation a) per unit/share or b) on an aggregate basis (taken to mean value per unit/share x number of units held). In this regard, if the member decides to report per unit/share, clarification was sought as to how the Member would present a total of these values for all investment positions in an account;
- iii. The commenter also asked the purpose of presenting book cost at an aggregate for an account, noting that it would have no real meaning to an investor;
- iv. Clarification was sought in respect of: “*the name of the party that holds or controls each security and a description of the way it is held*”, as set out under proposed Rule 5.3.2(c)(ii)(H).

Disclosure of MFDA IPC Coverage

A commenter referenced the requirement under proposed Rule 5.3.2(e) for account statements to include disclosure respecting MFDA IPC coverage. Clarification was sought as to the specific content of the disclosure and where such disclosure should be located on the account statement.

MFDA Response

Definitions

MFDA Rules are required to conform to requirements under NI 31-103. We note that the definition of “trailing commission” and disclosure regarding the payment of trailing commissions, as referred to by the commenter, have been adopted directly from NI 31-103.

Content of Account Statement

With respect to the questions raised by the commenter, we note as follows:

- i. For the purpose of requirements under the proposed amendments, “date of the transaction” is intended to mean trade date;
- ii. The requirement for reporting total cost of all investment positions is not in conflict with proposed Rule 5.3(1)(a)(i) and (ii). Under Rule 5.3.2(c)(ii)(C), Members can present the cost of each investment position on an average cost per unit or share basis or on an aggregate basis. However, in providing the total cost of all investment positions, as required under Rule 5.3.2(c)(ii)(D), the information must be presented on an aggregate basis;
- iii. The purpose of requiring book cost to be presented on an aggregate basis for an account is to provide clients with a source of cost comparison to total market value;
- iv. We acknowledge the comment and will provide future guidance in respect of this matter.

Account Statement Disclosure of MFDA IPC Coverage

We note that the Board of the MFDA IPC has approved wording for the purpose of meeting the disclosure requirement under proposed Rule 5.3.2(e). Staff will, shortly, be issuing a Notice that sets out the approved wording. The Notice will also advise Members that the disclosure will be required to be included on Member account statements as of July 15, 2015, when Rule 5.3.2(e) becomes effective.

The proposed amendments do not prescribe where MFDA IPC disclosure should be located on the account statement.

Report on Charges and Other Compensation (Rule 5.3.3)

Scope of Reporting

A commenter recommended that requirements under this Rule be expanded to include all investments and not just securities, so as to be consistent with performance reporting requirements under the proposed amendments.

Application of Requirements to Carrying Dealers

A commenter sought clarification with respect to the application of requirements under proposed Rule 5.3.3 (Report on Charges and Other Compensation) to introducing/carrying dealer arrangements in circumstances where fees, commissions and payments paid to the introducing dealer are not received by, processed through or known to the carrying dealer. By way of example, the commenter noted: trailing commissions, referral fees; payments other than trailing commissions where the payout amount per account is not readily available or easy to calculate; and other types of fees/commissions not transacted through the dealer.

Report Content / Consolidated Reporting

A commenter sought clarification in respect of “*the Member’s current operating charges which might be applicable to the client’s account*”, as set out under Rule 5.3.3(1)(a).

The commenter also noted that it is unclear why a separate Report on Charges and Other Compensation is required for each account. The commenter suggested that a consolidated report be allowed without client consent with the requirement of Section 5.3.3(3)(b) always applying. The commenter made the same comment in respect of Policy No. “X”, (General Requirements).

MFDA Response

Scope of Reporting

Where reliable data is available, we encourage Members to provide charges and compensation information in respect of other investment products transacted through, or transferred into, the Member. However, as set out in the Publication Notice, obtaining reliable data from product issuers in respect of all investment products might present challenges, particularly as other issuers are not subject to the jurisdiction of securities regulators. To address this issue, the proposed amendments require, where the charges and compensation report does not include all compensation received, in respect of investments that are not securities, that Members provide disclosure making clients aware of this fact.

Application of Requirements to Carrying Dealers

As set out under proposed MFDA Rule 5.3.5, and similar requirements under NI 31-103, the Report on Charges and Other Compensation may be combined with or accompany the account statement or may be delivered within 10 days after the delivery of the account statement.

The Report on Charges and Other Compensation must contain consolidated information respecting the charges and compensation earned by both the introducing dealer and carrying dealer during the period covered by the report. To allow for such consolidated reporting, it may become necessary for the introducing dealer and carrying dealer to develop systems and procedures to facilitate the sharing of information between each of them. We will work with carrying dealers to assist them in implementing requirements under the proposed amendments.

Content and Consolidated Reporting

Rule 5.3.3(1)(a) requires the Member to provide disclosure respecting the Member's current fee schedule, so that clients are aware of the charges that they may incur going forward.

Rule 5.3.3(3) and section (2) of Policy No. "X" (General Requirements) permit consolidated reporting, for more than one of a client's accounts, where the client has consented in writing and the consolidated report specifies which accounts it consolidates. Where a client has multiple accounts, it is important that the client be able to understand how reported charges are attributable to each of those accounts. Client consent is required as some clients may find it easier to understand, or otherwise prefer to receive, such information on a non-consolidated basis.

Performance Reporting (Rule 5.3.4)

Performance Reporting Inception Date

Three commenters referenced performance reporting requirements under proposed Rule 5.3.4 (Performance Report) and noted that client confusion could be caused by the proposed performance reporting inception date of July 15, 2015. To avoid such confusion, these commenters recommended that Members be given the option to align the performance reporting inception date with the beginning of a calendar year.

Treatment of GICs

A commenter noted that the proposed amendments do not address the valuation of investment products that are not securities. In this regard, the commenter sought clarification that its treatment of guaranteed investment certificates ("GICs"), for the purpose of valuation and inclusion in performance reporting, was consistent with industry standards.

Policy No. “X”

A commenter expressed the view that proposed performance reporting requirements set out under Policy No. “X” should be relocated within MFDA Rules, so as to have *rules* that are substantially similar to those made under the Phase 2 CRM2 amendments to NI 31-103. Additionally, the commenter noted that it is not clear that MFDA Policies are regarded by Members as being binding Rules.

A commenter asked whether it is intentional that the content requirements for the Performance Report, as set out under Policy No. “X”, overlap the content requirements for the Account Statement.

MFDA Response

Performance Reporting Inception Date

We have made appropriate amendments to proposed Policy No. “X” (Performance Reporting) that will allow Members to adopt an earlier performance reporting inception date, subject to the requirements set out in such amendments.

Treatment of GICs

Members currently report the market value of GICs as the principal amount plus accrued interest earned as at the end of the account statement period. This method of reporting will continue to be permitted under the proposed amendments.

Under the proposed amendments, changes have been made to MFDA Form 1, Part 5 (Market Value of a Security). These changes include requirements prescribed under NI 31-103 respecting the determination of market value. Form 1, Part 5, as amended, is based on the International Financial Reporting Standards (“IFRS”) hierarchy approach to assessing the fair value of financial instruments. Accordingly, when determining the market value of investments, Members should consider both IFRS fair value standards and the “market value of a security” definition set out under Form 1, as revised.

We will consider the matters raised by the commenter in the development of future guidance. Where Members require additional guidance and clarification respecting the valuation of any investment product, for the purpose of meeting reporting requirements under the proposed amendments, we would encourage Members to discuss such matters with MFDA staff.

Policy No. “X”

As set out in the Publication Notice accompanying the proposed amendments, NI 31-103 contains detailed requirements in respect of performance reporting. In an effort to ensure that the proposed amendments remain relatively consistent with the current structure and

format of the MFDA Rulebook, some of these requirements have been adopted in proposed new Policy No. “X” (Performance Reporting). Members are required to comply with the minimum standards set out under MFDA Policies. The prescriptive nature of MFDA Policies is reflected in Appendix H to NI 31-103 (Exemptions from Certain Requirements for MFDA Members), which sets out the MFDA requirements that must be complied with by MFDA Members to be exempt from corresponding provisions of the National Instrument. In addition to MFDA Rules, requirements under MFDA Policies are also cited. By way of example, we note that MFDA Policy No. 2 (Minimum Standards for Account Supervision) is our most frequently used and cited Policy. Violations of MFDA Policies are also frequently cited in MFDA enforcement hearings. Amendments to MFDA Policies are also subject to the approval of the recognizing securities regulators.

In addition to the foregoing, and as set out in the proposed amendments, we note that compliance with requirements under Policy No. “X” is prescribed under Rule 5.3.4.

Overlap in Account Statement and Performance Report Content

The performance report is intended to be a document that clients can understand without the need to refer to any other documents (i.e. clients should not have to refer to any other client statement to be able to understand the performance report). As a result, information on the account statement that is used in the performance reporting calculation (i.e. market value at the beginning and end of the 12 month reporting period) has been reproduced on the performance report.

Exempt Market Dealers and Scholarship Plan Dealers – Client Reporting (Rule 5.3.6)

A commenter recommended that Rule 5.3.6 be clarified so that it is clear that, in addition to requirements under MFDA Rules, Members also registered as exempt market dealers are subject to any additional client reporting requirements applicable to exempt market dealers and scholarship plan dealers, as set out under securities legislation.

MFDA Response

The recommendation made by the commenter is already addressed under the amendments, as proposed. Proposed Rule 5.3.6 currently requires that: *“the Member must comply with any additional client reporting requirements applicable to exempt market dealers and scholarship plan dealers, as set out under securities legislation.”* MFDA staff will be issuing a Notice that provides guidance and clarification in respect of reporting obligations, as set out under NI 31-103, for Members that are also registered as exempt market dealers and scholarship plan dealers.

Trade Confirmations (Rule 5.4)

A commenter referenced trade confirmation content requirements under proposed Rule 5.4.3(m) that would require disclosure as to whether the security was issued by a related or connected issuer. It was noted that “connected issuer” and “related issuer” are technical terms that the MFDA should define in its final Rules. Where a definition is adopted, the commenter asked that the MFDA specify if these terms are to be defined in the same manner as under National Instrument 33-105 *Underwriting Conflicts*. Additionally, it was noted that, under section 14.12(3)(b) of NI 31-103, trade confirmation disclosure respecting related and connected issuers does not have to be provided where the names of the dealer and mutual fund are sufficiently similar to indicate that they are affiliated or related. The commenter recommended that the proposed amendments adopt a similar exemption.

MFDA Response

We have amended the Definitions section of Rule 5.3 to include definitions of “connected issuer” and “related issuer”, as set out under NI 31-103. We have also amended trade confirmation requirements under Rule 5.4.3 to include the exemption set out under section 14.12(3)(b) of NI 31-103.

Comments on Additional Amendments to Rule 2.4.4 (Transaction Fees or Charges)

Transaction Fees or Charges (Rule 2.4.4)

Three commenters recommended that pre-trade disclosure of charges require disclosure of the dollar and cents amounts of trailing commissions.

Two of these commenters referenced proposed additional amendments to Rule 2.4.4 that would make disclosure requirements under the Rule consistent with similar requirements under NI 31-103, by limiting Rule 2.4.4 disclosure requirements to transactions in securities. One of these two commenters expressed the view that the existing scope of the Rule should not be narrowed and that the proposed changes to Rule 2.4.4 should apply to all investments, not just securities.

MFDA Response

Transaction Fees or Charges (Rule 2.4.4)

Trailing Commission Disclosure

The disclosure required under Rule 2.4.4 is intended to give clients a reasonable idea of fees and charges that will apply at the time of the transaction and is not intended to impair the timely execution of client orders. In meeting the requirements of Rule 2.4.4, Members and Approved Persons are expected to act reasonably and in the best interests

of clients and provide the most current and accurate information in respect of fees and charges that can be reasonably provided in the circumstances. There may be circumstances where specific information (such as an exact dollar figure) may not be available at the time of the transaction. To the extent that the client requests more specific information, the Member or Approved Person may obtain the client's instruction to delay the execution of the transaction until more detailed information regarding applicable fees and charges can be provided.

Scope of Rule 2.4.4

We have made certain drafting changes to Rule 2.4.4. These changes clarify that Members are required to provide clients with disclosure in respect of any transaction charges paid to the Member, regardless of the type of investment, and charges in respect of the purchase or sale of a security. "Transaction charges" are amounts charged by the Member and, thus, known to the Member (e.g. switch fees or transaction fees). Disclosure of "charges in respect of the purchase or sale of a security" would include charges paid to a securities issuer in respect of a transaction (e.g. short-term trading fees or redemption fees).

DOCs#392791v7

Schedule “B”

Set out below is a table that summarizes the effective date for changes made under the MFDA Phase 2 CRM2 amendments.

Subject Matter	Rule/Policy/Form	Effective date
Exempt Market Dealers and Scholarship Plan Dealers – Client Reporting	Rule 5.3.6	Requirements under Rule 5.3.6 are now in effect
Trade Confirmations – Content	Rule 5.4.3	All amendments made to Rule 5.4.3 are now in effect with the exception of requirements under subsection 5.4.3(e)
Relationship Disclosure	Rule 2.2.5	Additional amendments to Rule 2.2.5 are now in effect
Service Fees or Charges	Rule 2.4.3	Additional amendments to Rule 2.4.3 are now in effect
Transaction Fees or Charges	Rule 2.4.4	Additional amendments to Rule 2.4.4 are now in effect
Client Reporting /Content of Account Statement	Rule 5.3	New requirements introduced by amendments to Rule 5.3 will become effective on July 15, 2015
“Market Value of a Security” (Definition)	Form 1	Amendments to Form 1 will become effective on July 15, 2015
Rate of Return	Rule 2.8.3	Amendments to Rule 2.8.3 will come into effect on July 15, 2016
Charges and Compensation Disclosure	Rule 5.3.3	Requirements under Rule 5.3.3 will come into effect on July 15, 2016
Performance Reporting	Rule 5.3.4 and Policy No. 7	Requirements under Rule 5.3.4 and Policy No. 7 will come into effect on July 15, 2016
Delivery of Report on Charges and Other Compensation and Performance Report	Rule 5.3.5	Requirements under Rule 5.3.5 will come into effect on July 15, 2016
Trade Confirmations – Content	Rule 5.4.3(e)	Requirements under Rule 5.4.3(e), as amended, will come into effect on July 15, 2016

Schedule "C"

The following amendments were made as part of the MFDA Phase 2 CRM2 amendments, have received all requisite approvals and **are now in effect**.

2.2.5 **Relationship Disclosure.** For each new account opened, the Member shall provide written disclosure to the client:

- (a) describing the nature of the advisory relationship;
- (b) describing the products and services offered by the Member;
- (c) describing the Member's procedures regarding the receipt and handling of client cash and cheques. In the case of a Level 2 dealer, the disclosure must include an explanation that all client cheques shall be payable to the issuer or carrying dealer, as applicable;
- (d) describing the Member's obligation to ensure that each order accepted or recommendation made for any account of a client is suitable for the client in accordance with Rule 2.2.1 and advising when the Member will assess the suitability of the investments in the client's account;
- (e) defining the various terms with respect to the know-your-client information collected by the Member and describing how this information will be used in assessing investments in the account;
- (f) describing the content and frequency of reporting for the account; ~~and~~
- (g) describing the nature of the compensation that may be paid to the Member and referring the client to other sources for more specific information;
- (h) describing the type of transaction charges, as defined under Rule 5.3(1), that the client might be required to pay; and
- (i) including a general explanation of how investment performance benchmarks might be used to assess the performance of a client's investments and any options for benchmark information that might be available to clients by the Member.

2.4.3 Operating Charges~~Service Fees or Charges~~.

(a) No Member shall impose on any client or deduct from the account of any client any operating charge, as defined under Rule 5.3(1), ~~service fee or service charge relating to services provided by the Member in connection with the client's account unless~~ written notice shall have been given to the client:

- i. ~~written notice shall have been given to the client on the opening of the account; and~~
- ii. ~~or not less than 60 days prior to the imposition or revision of the fee or charge. For the purposes of this Rule, service fees or charges shall not include any commissions charged for executing trades.~~

Rule 2.4.4 (Transaction Fees or Charges)

2.4.4 Transaction Fees or Charges. Prior to the acceptance of any order in respect of a transaction in a client account, the Member shall disclose to the client any transaction charges and:

- (a) any sales charge, service charge or any other fees or charges charges in respect of the purchase or sale of a security to be deducted in respect of the transaction, or a reasonable estimate if the actual amount of the charges is not known to the Member at the time of disclosure;
- (b) in the case of a purchase of a security to which deferred charges apply, that the client might be required to pay a deferred sales charge on the subsequent sale of the security and the fee schedule that will apply; and
- (c) whether the Member will receive trailing commissions in respect of the security.

5.3.6 Exempt Market Dealers and Scholarship Plan Dealers – Client Reporting. Where a Member is also registered as:

(a) an exempt market dealer, and a client has purchased a security from the Member that is sold pursuant to an exemption under securities legislation; or

(b) as a scholarship plan dealer, and a client has invested in a scholarship plan through the Member.

the Member must comply with any additional client reporting requirements applicable to exempt market dealers and scholarship plan dealers, as set out under securities legislation.

5.4.3 **Content.** Every confirmation of trade sent to a client must set forth the following information:

- (a) the quantity and description of the security purchased or sold;
- (b) the price per security paid or received by the client~~share or unit at which the trade was effected~~;
- (c) in the case of a purchase of a debt security, the security's annual yield;
- (d) in the case of a purchase or sale of a debt security, either of the following:
 - (i) the total amount of any mark-up or mark-down, commission or other service charges the Member applied to the transaction;
 - (ii) the total amount of any commission charged to the client by the Member and, if the Member applied a mark-up or mark-down or any service charge other than a commission, the following notification or a notification that is substantially similar:

"Dealer firm remuneration has been added to the price of this security (in the case of a purchase) or deducted from the price of this security (in the case of a sale). This amount was in addition to any commission this trade confirmation shows was charged to you."
- ~~(e) the consideration~~;
- ~~(f) the name of the Member~~;
- ~~(g) whether or not the Member is acting as principal or agent~~;
- ~~(h) if acting as agent, the name of the person or company from or to or through whom the security was bought or sold~~;
- ~~(i) the date and name of the marketplace, if any, on which the transaction took place, or if applicable, a statement that the transaction took place on more than one marketplace or over more than one day~~;
- ~~(j) the type of the account through which the trade was effected~~;
- ~~(k) the commission, if any, charged in respect of the trade~~;
- ~~(l) the amount deducted by way of sales, service and other charges~~;
- ~~(m) the amount, if any, of deferred sales charges~~;
- ~~(n) the name of the Approved Person, if any, involved in the transaction~~;
- ~~(o) the date of the trade; and~~
- ~~(p) the settlement date of the transaction; and~~

(n) if applicable, that the security was issued by a related or connected issuer of the Member.
This information is not required to be provided where the names of the Member and the mutual fund are sufficiently similar to indicate that they are affiliated or related.

Schedule “D”

The following amendments were made as part of the MFDA Phase 2 CRM2 amendments, have received all requisite approvals and will come into effect on **July 15, 2015**.

5.3 CLIENT REPORTING

- (1) **Definitions.** For the purpose of client reporting requirements under Rule 5.3
- (a) “book cost” means the total amount paid to purchase an investment, including any transaction charges related to the purchase, adjusted for reinvested distributions, returns of capital and corporate reorganizations;
 - (b) “connected issuer” has the same meaning as in section 1.1 of National Instrument 33-105 *Underwriting Conflicts*;
 - (c) “cost” for each investment position in the account means either “book cost” or “original cost”, provided that only one cost calculation methodology, either “book cost” or “original cost,” is used for all positions;
 - (i) **Investment Positions Opened before July 15, 2015.** For investment positions opened before July 15, 2015, cost, as determined in accordance with subsection 5.3(1)(c), above; or the market value of the investment position as at July 15, 2015 or an earlier date, if the same date and value are used for all clients of the Member holding that investment and it is also disclosed in the account statement that it is the market value as of that date, not the cost of the investment position, that is being disclosed.
 - (ii) **Investment Positions Transferred In.** For investment positions transferred into an account at the Member, cost as determined in accordance with subsection 5.3(1)(c), above; or the market value of the investment position as at the date of the position’s transfer if it is also disclosed in the account statement that it is the market value as of the transfer date, not the cost of the investment position, that is being disclosed.
 - (iii) **Where Cost Not Determinable.** Where a Member reasonably believes that it cannot determine cost in respect of an investment position, the Member must provide disclosure of that fact in the statement.
 - (d) “investment” means any asset, excluding cash, held or transacted in an account of the Member;
 - (e) “marketplace” has the same meaning as in section 1.1 of National Instrument 21-101 *Marketplace Operation*;

- (f) “market value” of a security has the meaning given to it under MFDA Form 1 Financial Questionnaire and Report;
- (g) “operating charge” means any amount charged to a client by a Member in respect of the operation, transfer or termination of a client’s account and includes any federal, provincial or territorial sales taxes paid on that amount;
- (h) “original cost” means the total amount paid to purchase an investment, including any transaction charges related to the purchase;
- (i) “related issuer” has the same meaning as in section 1.1 of National Instrument 33-105 Underwriting Conflicts;
- (j) “total percentage return” means the cumulative realized and unrealized capital gains and losses of an investment, plus income from the investment, over a specified period of time, expressed as a percentage;
- (k) “trailing commission” means any payment related to a client’s ownership of a security that is part of a continuing series of payments to a Member or Approved Person by any party;
- (l) “transaction charge” means any amount charged to a client by a Member and includes any federal, provincial or territorial sales taxes paid on that amount.

5.3.1 Delivery of Account Statement. Each Member shall, in a timely manner, send an account statement to each client at least once every three months.

~~in accordance with the following minimum standards:~~

~~(i) at least once every 3 months for a client name account; and~~

~~(ii) at least once every 3 months for a nominee name account.~~

~~(b) A Member may not rely on any other person (including an Approved Person) to send account statements as required by this Rule.~~

~~(c) Notwithstanding the provisions of 5.3.1(b), a Member may rely on the trustee administering a self-directed registered plan to send the account statement required by paragraph (a)(i) where the following conditions are met:~~

~~(i) The Member does not act as agent for the trustee for the registered plans;~~

~~(ii) The trustee meets the definition of “Acceptable Institution” as defined in Form 1;~~

~~(iii) There is a services agreement in place between the Member and the trustee which complies with the requirements of MFDA Rule 1.1.3 and provides that the trustee is responsible for~~

~~sending account statements to clients of the Member that comply with the requirements of MFDA Rule 5;~~

~~(iv) There is clear disclosure about which trades are placed by the Member;~~

~~(v) Clear disclosure must be provided on the account statement regarding which securities positions referred to on the statement are eligible for coverage by the MFDA Investor Protection Corporation and which are not (once the Corporation is offering coverage);~~

~~(vi) The Member's full legal name must appear on the account statement together with the name of the trustee; and~~

~~(vii) The Member must receive copies of the statements, or have other systems in place, to ensure that the information contained on the statements matches its own information regarding the transactions it executes.~~

~~(d) Notwithstanding the provisions of Rule 5.3.1(b), where a Member is affiliated with a fund manager and in connection with a specific client account is selling only the mutual fund securities of an issuer managed by such affiliated fund manager for that client account, the Member may rely on the affiliated fund manager to send the account statement required by paragraph (a)(i) for that specific account.~~

5.3.2 Content of Account Statement. Each account statement must contain the following information:

(a) General Information.

(i) the type of account;

(ii) the account number;

(iii) the period covered by the statement;

(iv) the name of the Approved Person(s) servicing the account, if applicable;

(v) the name, address and telephone number of the Member; and

(vi) as applicable, the definition of "book cost" or "original cost", as set out under Rules 5.3(1)(a) and (h).

(b) Account Activity.

for each transaction made for or in respect of the client, in an account at the Member, during the period covered by the statement:

(i) the date of the transaction;

(ii) the type of transaction;

(iii) the total value of the transaction;

for each transaction that is a purchase, sale or transfer made for the client, in an account at the Member, during the period covered by the statement:

(iv) the name of the investments;

(v) the number of investments; and

(vi) the price per investment.

(c) Market Value and Cost Reporting.

for all investments in an account at the Member:

(i) as at the beginning of the period for which the statement is made:

(A) the total market value of all cash and investments in the account; and

(ii) as at the end of the period for which the statement is made:

(A) the name and quantity of each investment in the account;

(B) the market value of each investment in the account and, if applicable, a notification to the client that there is no active market for the investment and that its value has been estimated. Where a value cannot be reliably determined, the Member must include the following notification or a notification that is substantially similar: “Market value not determinable.”

(C) the cost of each investment position presented on an average cost per unit or share basis or on an aggregate basis, and determined as at the end of the applicable period;

(D) the total cost of all investment positions;

(E) the total market value of each investment position in the account;

(F) any cash balance in the account;

(G) the total market value of all cash and investments in the account; and

(H) the name of the party that holds or controls each investment and a description of the way it is held.

(d) Deferred Sales Charges. Each account statement must disclose which securities may be subject to deferred sales charges if they are sold.

(e) MFDA IPC Coverage. Each account statement must include disclosure, as established by the MFDA IPC, respecting MFDA IPC coverage.

~~(a) for nominee name accounts or accounts where the Member acts as an agent for the trustee for the purposes of administering a self-directed registered retirement savings or similar plan:~~

~~(i) the opening balance;~~

~~(ii) all debits and credits;~~

~~(iii) the closing balance;~~

~~(iv) the quantity and description of each security purchased, sold or transferred and the dates of each transaction, and;~~

~~(v) the quantity, description and market value of each security position held for the account;~~

~~(b) for client name accounts:~~

~~(i) all debits and credits;~~

~~(ii) the quantity and description of each security purchased, sold or transferred and the dates of each transaction; and~~

~~(iii) for automatic payment plan transactions, the date the plan was initiated, a description of the security and the initial payment amount made under the plan.~~

~~(c) for all accounts:~~

~~(i) the type of account;~~

~~(ii) the account number;~~

~~(iii) the period covered by the statement;~~

~~(iv) the name of the Approved Person(s) servicing the account, if applicable; and~~

~~(v) the name, address and telephone number of the Member.~~

MFDA Form 1 Financial Questionnaire and Report – Market Value of a Security (Revised Definition)

5. "market value of a security ~~ies~~" means:

- (a) For securities, precious metals bullion and commodity futures contracts quoted on an active market, the published price quotation using:
 - ~~(a)(i)~~ for listed securities, the last bid price of a long security and, correspondingly, the last ask price of a short security, as shown on a consolidated pricing list or the exchange quotation sheets as of the close of business on the relevant date or last trading date prior to the relevant date, as the case may be, subject to an appropriate adjustment where an unusually large or unusually small quantity of securities is being valued. If not available, the last sale price of a board lot may be used. Where not readily marketable, no market value shall be assigned.
 - ~~(ii)~~ for unlisted investment funds, the net asset value provided by the manager of the fund on the relevant date.
 - ~~(iii)~~ b for all other unlisted and debt securities (including unlisted debt securities) and precious metals bullion, a value determined as reasonable from published market reports or inter-dealer quotation sheets on the relevant date or last trading day prior to the relevant date, or, in the case of debt securities, based on a reasonable yield rate. Where not readily marketable, no market value shall be assigned.
 - ~~(iv)~~ for commodity futures contracts, the settlement price on the relevant date or last trading day prior to the relevant date.
 - ~~(v)~~ for money market fixed date repurchases (no borrower call feature), the market price is the price determined by applying the current yield for the security to the term of maturity from the repurchase date. This will permit calculation of any profit or loss based on the market conditions at the reporting date. Exposure due to future changes in market conditions is covered by the margin rate.
 - ~~(vi)~~ for money market open repurchases (no borrower call feature), the prices are to be determined as of the reporting date or the date the commitment first becomes open, whichever is the later. The value Market price is to be determined as in (v) and the commitment price is to be determined in the same manner using the yield stated in the repurchase commitment.
 - ~~(vii)~~ f for money market repurchases with borrower call features, the market price is the borrower call price.
- (b) Where a determination respecting market value is made pursuant to the provisions of 5(a)(i) – (vii), that determination must include any price adjustments considered by the Member to be necessary to accurately reflect the market value.
- (c) Where a reliable price for the security, precious metals bullion or commodity futures contract cannot be determined:

- (i) the value determined by using a valuation technique that includes inputs other than published price quotations that are observable for the security, either directly or indirectly; or
- (ii) where no observable market data-related inputs are available, the value determined by using unobservable inputs and assumptions; or
- (iii) where insufficient recent information is available and/or there is a wide range of possible values and cost represents the best value estimate within that range, cost.
- (d) Where a value cannot be reliably determined under subsections 5(a) and 5(c) above, no value shall be reported.

Schedule “E”

The following amendments were made as part of the MFDA Phase 2 CRM2 amendments, have received all requisite approvals and will come into effect on **July 15, 2016**.

2.8.3 Rates of Return

(a) In addition to complying with the requirements in Rule 2.8.2, any client communication, other than the investment performance report required under Rule 5.3.4, containing or referring to a rate of return regarding a specific account or group of accounts must:

(i) disclose an annualized rate of return calculated in accordance with standard industry practices; and

(ii) explain the methodology used to calculate such rate of return in sufficient detail and clarity to reasonably permit the client to understand the basis for the rate of return.

(b) In addition to complying with the requirements in Rule 2.8.2 and Rule 2.8.3(a), any client communication containing or referring to a rate of return regarding a specific account or group of accounts that is provided by an Approved Person must be approved and supervised by the Member.

~~(c) Notwithstanding the provisions of paragraphs (a) and (b), where an account has been open for less than 12 months, the rate of return shown must be the total rate of return since account opening.~~

5.3.3 Report on Charges and Other Compensation.

(1) **Content of Report on Charges and Other Compensation.** For each 12 month period, a Member must deliver to a client a report on charges and other compensation containing the following information, except that the first report delivered after a client has opened an account may cover a period of less than 12 months:

- (a) the Member's current operating charges which might be applicable to the client's account;
- (b) the total amount of each type of operating charge related to the client's account paid by the client during the period covered by the report, and the total amount of those charges;
- (c) the total amount of each type of transaction charge related to the purchase or sale of securities paid by the client during the period covered by the report, and the total amount of those charges;
- (d) the total amount of the operating charges reported under subsection (b) and the transaction charges reported under subsection (c);
- (e) if the Member purchased or sold debt securities for the client during the period covered by the report, either of the following:
 - (i) the total amount of any mark-ups, mark-downs, commissions or other service charges the Member applied on the purchases or sales of debt securities;
 - (ii) the total amount of any commissions charged to the client by the Member on the purchases or sales of debt securities and, if the Member applied mark-ups, mark-downs or any service charges other than commissions on the purchases or sales of debt securities, the following notification or a notification that is substantially similar:

"For debt securities purchased or sold for you during the period covered by this report, dealer firm remuneration was added to the price you paid (in the case of a purchase) or deducted from the price you received (in the case of a sale). This amount was in addition to any commissions you were charged."

- (f) the total amount of each type of payment, other than a trailing commission, that is made to the Member or any of its Approved Persons by a securities issuer or another registrant in relation to registerable services to the client during the period covered by the report, accompanied by an explanation of each type of payment;

(g) if the Member received trailing commissions related to securities owned by the client during the period covered by the report, the following notification or a notification that is substantially similar:

“We received \$[amount] in trailing commissions in respect of securities you owned during the 12-month period covered by this report.

Investment funds pay investment fund managers a fee for managing their funds. The managers pay us ongoing trailing commissions for the services and advice we provide you. The amount of the trailing commission depends on the sales charge option you chose when you purchased the fund. You are not directly charged the trailing commission or the management fee. But, these fees affect you because they reduce the amount of the fund’s return to you. Information about management fees and other charges to your investment funds is included in the prospectus or fund facts document for each fund.”

(2) The information required to be reported under subsection 5.3.3(1) must be delivered in a separate report on charges and other compensation for each account of the client;

(3) A Member may provide a report on charges and other compensation that consolidates into a single report the required information for more than one of a client’s accounts if the following apply:

(a) the client has consented in writing; and

(b) the consolidated report specifies which accounts it consolidates.

(4) **Consolidated Reporting for Same Accounts.** Where a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(3) and a consolidated performance report is sent to the client pursuant to Policy No. 7 (Performance Reporting), General Requirements, subsection (2), both consolidated reports must consolidate information for the same accounts.

(5) **Disclosure of Compensation Not Reported.** Where a Member receives compensation or other payments in respect of an investment that is not a security, during the period covered by the report, the Member must either:

(i) disclose the information required under Rule 5.3.3(1) in respect of the investment;

or

(ii) indicate that compensation or payments received related to the investment have not been included in the report on charges and compensation being provided to the client.

5.3.4 **Performance Report.**

A Member must deliver a performance report, in respect of all investments required to be reported under Rule 5.3.2, to a client every 12 months, except that the first report delivered after a Member first makes a trade or transfer for a client may be sent within 24 months after that trade or transfer. The performance report must include:

- (i) the annual change in the market value of the client's account for the 12-month period covered by the report;
- (ii) the cumulative change in the market value of the account, since the account was opened;
- (iii) the amount of the annualized total percentage return for the client's account calculated net of charges, using a money-weighted rate of return calculation method generally accepted in the securities industry, provided for 1, 3, 5 and 10 year periods and since account inception; and

must otherwise meet the requirements set out under Policy No. 7 (Performance Reporting).

5.3.5 Delivery of Report on Charges and Other Compensation and Performance Report.

- (1) A report under Rule 5.3.3 – Report on Charges and Other Compensation and a report under Rule 5.3.4 – Performance Report must include information for the same 12 month period and the reports must be delivered together in one of the following ways:
- (a) combined with the account statement required to be delivered under Rule 5.3.1;
 - (b) accompanying the account statement required to be delivered under Rule 5.3.1; or
 - (c) within 10 days after the delivery of the account statement required to be delivered under Rule 5.3.1.
- (2) Subsection (1) does not apply in respect of the first report under Rule 5.3.3 – Report on Charges and other Compensation and the first report under Rule 5.3.4 – Performance Report for a client.



Requirements under Policy No. 7 are subject to a transition period and will come into effect on **July 15, 2016**.

MFDA POLICY NO. 7

PERFORMANCE REPORTING

Purpose

Under Rule 5.3.4 (Performance Report), Members are required to deliver a performance report to a client. The purpose of this Policy is to set out additional requirements that Members must comply with when meeting requirements under MFDA Rules respecting the performance report.

General Requirements

- (1) The performance report required under Rule 5.3.4 must be delivered in a separate report for each account of the client;
- (2) Notwithstanding subsection (2), a Member may provide a performance report that consolidates, into a single report, the required information for more than one of a client's accounts if:
 - (a) the client has consented in writing; and
 - (b) the consolidated report specifies which accounts it consolidates.
- (3) Where a consolidated performance report is sent to a client, pursuant to subsection (2), above and a consolidated report on charges and other compensation is sent to the client pursuant to Rule 5.3.3(3), both consolidated reports must consolidate information for the same accounts.
- (4) The requirement to provide a performance report, as prescribed under Rule 5.3.4, does not apply to a client account that has existed for less than a 12-month period.
- (5) If a Member reasonably believes there are no investments of a client for which a market value can be determined, the Member is not required to deliver a report to the client for the period.

Content of Performance Report

- (1) A performance report required to be delivered under Rule 5.3.4 must include all of the following in respect of investments reported on the account statement required to be delivered under Rule 5.3.1:

- (a) the market value of all cash and investments in the client's account as at the beginning of the 12-month period covered by the report;
- (b) the market value of all cash and investments in the client's account as at the end of the 12-month period covered by the report;
- (c) the market value of all deposits and transfers of cash and investments into the client's account, and the market value of all withdrawals and transfers of cash and investments out of the account, in the 12-month period covered by the report;
- (d) subject to ~~paragraph subsection~~ 1(e), the market value of all deposits and transfers of cash and investments into the client's account, and the market value of all withdrawals and transfers of cash and investments out of the account, since opening the account;
- (e) if the client's account was opened before July 15, 2015 and the Member reasonably believes market values are not available for all deposits, withdrawals and transfers since the account was opened, the following:
 - (i) the market value of all cash and investments in the client's account as at July 15, 2015;
 - (ii) the market value of all deposits and transfers of cash and investments into the account and the market value of all withdrawals and transfers of cash and investments out of the account, since July 15, 2015;
 - (iii) notwithstanding the provisions of (1)(e)(i) and (ii) above, an earlier date may be used to comply with requirements under (1)(e), if the same date and value are used for all clients of the Member holding that investment and it is also disclosed in the performance report that it is the market value as of that date, not the cost of the security position, that is being disclosed.

Annual Change in Market Value

- (f) the annual change in the market value of the client's account for the 12-month period covered by the performance report, determined using the following formula:

$$A - B - C + D$$

where

- A** = the market value of all cash and investments in the account as at the end of the 12-month period covered by the performance report;
- B** = the market value of all cash and investments in the account at the beginning of that 12-month period;
- C** = the market value of all deposits and transfers of cash and investments into the account in that 12-month period; and
- D** = the market value of all withdrawals and transfers of cash and investments out of the account in that 12-month period.

Cumulative Change in Market Value

- (g) subject to paragraph (h), the cumulative change in the market value of the account since the account was opened, determined using the following formula:

$$\mathbf{A - E + F}$$

where

- A** = the market value of all cash and investments in the account as at the end of the 12-month period covered by the performance report;
- E** = the market value of all deposits and transfers of cash and investments into the account since account opening; and
- F** = the market value of all withdrawals and transfers of cash and investments out of the account since account opening.

- (h) if the Member reasonably believes the market value of all deposits and transfers of cash and investments into the account since the account was opened or the market value of all withdrawals and transfers of cash and investments out of the account since the account was opened, as required in paragraph subsection (g), is not available to the Member, the cumulative change in the market value of the account determined using the following formula:

$$\mathbf{A - G - H + I}$$

where

- A** = the market value of all cash and investments in the account as at the end of the 12-month period covered by the performance report;
- G** = the market value of all cash and investments in the account as at July 15, 2015;
- H** = the market value of all deposits and transfers of cash and investments into the account since July 15, 2015; and
- I** = the market value of all withdrawals and transfers of cash and investments out of the account since July 15, 2015.

Annualized Total Percentage Return

- (i) the amount of the annualized total percentage return for the client's account calculated net of charges, using a money-weighted rate of return calculation method generally accepted in the securities industry;
- (j) the definition of "total percentage return" set out under Rule 5.3(1) and a notification indicating the following:

- (i) that the total percentage return in the performance report was calculated net of charges;
- (ii) the calculation method used; and
- (iii) a general explanation in plain language of what the calculation method takes into account.

Annualized Total Percentage Return – Reporting Periods

- (2) The information delivered for the purposes of paragraph (1)(i) must be provided for each of the following periods:
- (a) the 12-month period covered by the performance report;
 - (b) the 3-year period preceding the end of the 12-month period covered by the report;
 - (c) the 5-year period preceding the end of the 12-month period covered by the report;
 - (d) the 10-year period preceding the end of the 12-month period covered by the report;
 - (e) the period since the client's account was opened if the account has been open for more than one year before the date of the report or, if the account was opened before July 15, 2015 and the Member reasonably believes the annualized total percentage return for the period before July 15, 2015 is not available, the period since July 15, 2015.
- (3) Despite subsection (2), if any portion of a period referred to in paragraphs (2)(b), (c) or (d) was before July 15, 2015, the Member is not required to report the annualized total percentage return for that period.

Presentation

- (4) The information required to be delivered under Rule 5.3.4 must be presented using text, tables and charts and must be accompanied by notes in the performance report explaining:
- (a) the content of the report and how a client can use the information to assess the performance of the client's investments; and
 - (b) the changing value of the client's investments as reflected in the information in the report.
- (5) If a Member delivers information required under Rule 5.3.4 in a report to a client for a period of less than one year, the Member must not calculate the disclosed information on an annualized basis.
- (6) If a Member reasonably believes the market value cannot be determined for an investment position, the market value must be assigned a value of zero in the calculation of the information required to be delivered under Rule 5.3.4 and the fact that its market value could not be determined must be disclosed to the client.

5.4 TRADE CONFIRMATIONS

5.4.3 (e) the amount of each transaction charge, deferred sales charge or other charge in respect of the transaction and the total amount of all charges in respect of the transaction;