



January 4, 2018

## **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 (1), 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) A Member is not required to provide a performance report to a client for a 12-month period referred to in Rule 5.3.4 if the Member reasonably believes no market value can be determined for any investments of the client.

#### **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) the market values determined under subsection (1.1);

***Annual Change in Market Value***

- (e) 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***

- (f) subject to subsection (1.2), the cumulative change in the market value of the account since the account was opened, determined using the following formula:

$$A - E + F$$

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.

## Annualized Total Percentage Return

- (g) 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;
- (h) 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.

(1.1) For the purpose of paragraph 1(d), include the following, as applicable:

- (a) if the client's account was opened on or after July 15, 2015, 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 client's account, since opening the account;
- (b) if the client's account was opened before July 15, 2015, and the Member has not delivered a performance report for the 12-month period ending December 31, 2016:
  - (i) the market value of all cash and investments in the client's account as at
    - (A) July 15, 2015; or
    - (B) a date that is earlier than July 15, 2015, if the Member reasonably believes accurate, recorded historical market value information is available for the client's account and it would not be misleading to the client to provide that information as at the earlier date, and
  - (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 the date referred to in clause (i)(A) or (B), as applicable;
- (c) if the client's account was opened before July 15, 2015, and the Member has delivered a performance report for the 12-month period ending December 31, 2016:
  - (i) the market value of all cash and investments in the client's account as at
    - (A) January 1, 2016; or

(B) a date that is earlier than January 1, 2016, if the Member reasonably believes accurate, recorded historical market value information is available for the client's account and it would not be misleading to the client to provide that information as at the earlier date, and

(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 the date referred to in clause (i)(A) or (B), as applicable;

(1.2) Paragraph 1(f) does not apply if the client's account was opened before July 15, 2015 and the Member includes in the performance report the cumulative change in the market value of the account determined using the following formula, instead of the formula in paragraph 1(f):

$$A - G - H + I$$

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 determined as follows:

(a) if the client's account was opened before July 15, 2015, and the Member has not delivered a performance report for the 12-month period ending December 31, 2016, the market value of all cash and investments in the client's account as at:

(i) July 15, 2015, or

(ii) a date that is earlier than July 15, 2015, if the Member reasonably believes accurate, recorded historical market value information is available for the client's account and it would not be misleading to the client to provide that information as at the earlier date, or

(b) if the client's account was opened before July 15, 2015, and the Member delivered a performance report for the 12-month period ending December 31, 2016, the market value of all cash and investments in the client's account as at:

(i) January 1, 2016, or

(ii) a date that is earlier than January 1, 2016, if the Member reasonably believes accurate, recorded historical market value information is available for the client's account and it would not be misleading to the client to provide that information as at the earlier date;

**H** = the market value of all deposits and transfers of cash and investments into the account since the date used for G; and

**I** = the market value of all withdrawals and transfers of cash and investments out of the account since the date used for G.

### **Annualized Total Percentage Return – Reporting Periods**

(2) The information delivered for the purposes of paragraph (1)(g) 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) subject to subsection (3.1), 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, the period since
  - (i) July 15, 2015, or
  - (ii) a date that is earlier than July 15, 2015 if the Member reasonably believes accurate, recorded annualized total percentage return information is available for the client's account and it would not be misleading to the client to provide that information as at the earlier date.

(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.

(3.1) Paragraph (2)(e) does not apply to a Member that delivered a performance report for the 12-month period ending December 31, 2016 if the Member provides, in the report, the annualized total percentage return information referred to in paragraph (2)(e) for the period since

- (a) January 1, 2016, or
- (b) a date that is earlier than January 1, 2016 if the Member reasonably believes accurate, recorded annualized total percentage return information is available for the client's account and it would not be misleading to the client to provide that information as at the earlier date.

## 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.

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